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NEWSPAPER

**Bayside's food court fights start-up jitters**

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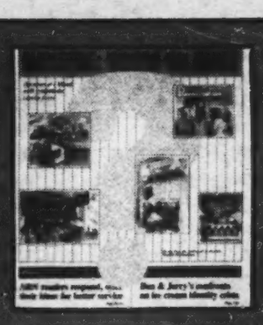

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# Nation's Restaurant News®

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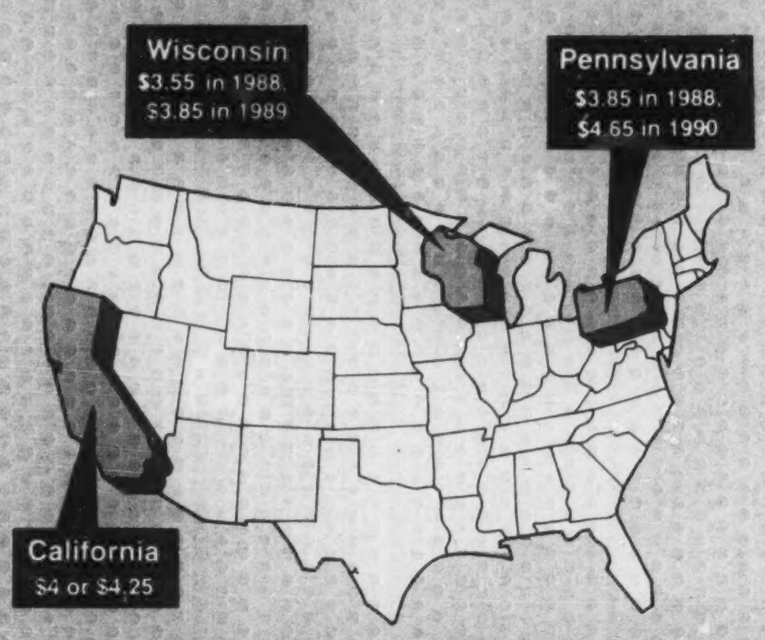
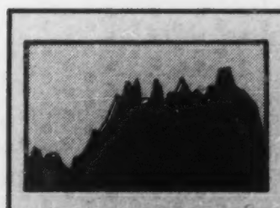



# Restaurateurs combat post-crash stock jitters



**Stocks plummet**
More news on the panic, full stock table
Page 99,103

By Don Jeffrey

NEW YORK — Restaurant companies scrambled to buy back their plummeting stocks and boost the battered confidence of their investors as the stock market crashed amid panic selling and record volumes.

But although restaurants lost millions in equity when stock prices tumbled, they were not hurt so badly as the nation's largest and most widely followed corporations.

The *Nation's Restaurant News Index* of 84 stocks fell 20.4 points, or 11.2 percent—the biggest one-week drop ever—and closed at 161.4 on Oct. 23. In two weeks the index lost 17.3 percent of its value.

The Dow Jones Industrial Average, the bellwether index of 30 blue-chip stocks, dropped 295.98 points in the week, or 13.2 percent, to 1,950.76. On Black Monday, Oct. 19, it fell a record 508 points. In a shortened trading session on Monday, Oct. 26, the Dow plunged 156.83 points, to 1,793.93, on volume of 308.8 million shares.

Only three restaurant com-

*(See **STOCKS**, page 104)*

# WAGE FIGHT

## *Battle over minimum wage enters nation's statehouses*

By Karen Bruno

While a war is raging on the federal level over the proposed minimum-wage hike, several states are fighting the battle on their home turf.

The legislatures of California, Wisconsin, and Pennsylvania are voting on bills that would boost the minimum wage above the federal minimum of $3.35.

At the same time Congress is preparing to vote on a bill that would raise the national minimum wage—for the first time in seven years—to $3.85 in 1988, $4.25 in 1989, and $4.65 in 1990.

"It's been seven years since the minimum wage has been

*(See **STATES**, page 104)*

## *Labor lobby blasts industry with ammo from McDonald's*

By Ken Rankin

WASHINGTON — Admissions earlier this year by McDonald's topsiders that a minimum wage raise won't affect their chain adversely are coming back to haunt the food-service industry.

In testimony before the House Labor Standards Subcommittee, AFL-CIO president Lane Kirkland said "most low-wage employers would pay a living wage if they were confident the competition would do the same."

That belief "was recently borne out when the chief executive officer of the McDonald's hamburger chain said his company 'could not find a detrimental effect from the minimum-wage increases based on history,'" Kirkland said.

Citing coverage in *Nation's Restaurant News*, the AFL-CIO chief noted that McD's "is now paying an average hourly wage of $4.01, much higher than the 1988 wage adjustment" proposed in legislation sponsored by Rep. Augustus Hawkins (D-Calif.) and Sen. Edward Kennedy (D-Mass.).

The statements by McDonald's executives and Kirkland's use of them in testimony to Congress undermine efforts by food-service industry lobbyists to portray the pending minimum-wage bill as a "disaster" for restaurant operators and workers.

The AFL-CIO chief, one of three top organized labor rep-

*(See **WAGE**, page 101)*

# Bruggemeier raises Cincinnati Phoenix

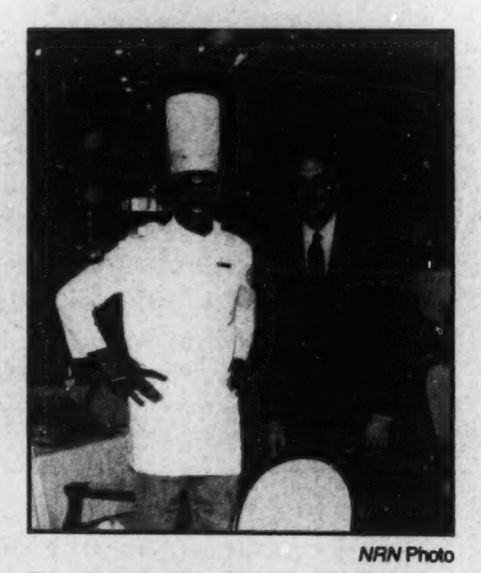
By Paul Frumkin

CINCINNATI — After spending more than two years on building and managing Warner LeRoy's sprawling 1,000-seat dining extravaganza, Potomac, in Washington, Carl and Shelley Bruggemeier have embarked on their own equally daunting project.

The husband-and-wife team together with local real-estate developer Bruce Sholk—operating under the name Phoenix Food Service Corp.—is developing a 120,000-square-foot mixed-use dining and conference center called the Phoenix in downtown Cincinnati.

Scheduled for completion in the fall of 1988, the Phoenix will include two dozen dining and meeting areas—including

*(See **PHOENIX**, page 104)*



NRN Photo

**Paul Sturkey, left, executive chef and Carl Bruggermeirer, co-owner of Phoenix.**

# KFC overhauls field network, erases 90 posts

LOUISVILLE, Ky. — In a bold move to decentralize, Kentucky Fried Chicken is transferring top-ranking executives from its head office here to nine new regional outposts and doing away with 90 other positions.

"We knew we had to eliminate redundancy in field organization," said Richard Mayer, KFC chairman and chief executive.

"It's as if the Berlin Wall had been removed," said John Neal, president of JRN Chicken Stores Inc., a 74-unit franchisee located in Columbia, Tenn.

"The decentralization cuts through all aspects of KFC's business, not just fran-

*(See **KFC**, page 104)*

**FOOD WATCH**

## *Pasta potpourri*

NEW YORK — From tony Upper East Side restaurants to casual downtown cafes, operators are merchandising pasta in new and unusual ways.

Caffe Cefalu, a relaxed trattoria on West Fourth Street near Perry Street in Greenwich Village and the two Poppolini's, on Christopher Street and Waverly Place, invite customers to create their own dishes by mixing and matching pastas and sauces.

For less than $10, Caffe Cefalu customers can choose ravioli, penne, and other pastas and top them with a choice of sauces, including tomato, oil and garlic, and other Italian favorites.

At the two Poppolini's, mix-and-match pastas are priced from $5.75 to $7.25. Choices include cappellini, spaghetti, fusilli, shells, and tri-colored rotelle topped with marinara, *agli e oglio*, Alfredo, primavera, or Bolognese sauces. —Joe Edwards

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# NEWS DIGEST

## René, Lewis to rejoin Baum at Rainbow Room

NEW YORK — André René and Alan Lewis, both of whom opened the landmark Windows on the World with restaurateur Joe Baum 11 years ago, are teaming up with him again, this time at the newly refurbished Rainbow Room in Rockefeller Center.

René

René, most recently executive chef at Swissôtel's Drake Hotel here, will assume the same title at the Rainbow Room. Lewis, formerly director of Windows on the World, will be general manager.

The Rainbow Room, which is scheduled to open in December, is a collection of restaurants, cocktail lounges, and private dining rooms on the top floors of the RCA Building.

## Jerrico plans to test fast-food Italian unit

NEW YORK — Jerrico Inc., parent of the Long John Silver's fast-seafood chain, said it would begin testing a quick-service Italian concept before its fiscal year ends in June.

The company launched a full-service Italian chain called Florenz last year. Four units are now open.

After revealing plans for the new concept at an investment conference here, Jerrico chairman Warren Rosenthal said Long John would remain "our principal growth vehicle."

## Ryan's eyes Italian concept, tests in-unit barbecue pits

GREENVILLE, S.C. — Ryan's Family Steak Houses Inc. plans to spin off an Italian dinner house concept featuring the high-volume feeding system of the company's very successful steak house chain, analysts report.

Meanwhile, in a quest for ways to crank more sales out of its core business, Ryan's is testing barbecues in several steak houses. The cookers are located in the units' dining rooms.

Ryan's Italian concept, which sources said would be tested early next year, would compete toe-to-toe with General Mills' Olive Garden, Jerrico's Florenz, and Imasco USA's Grisanti's concepts.

## Soltner subordinate opens own restaurant

GREENWICH, Conn. — Christian Bertrand, André Soltner's chef de cuisine at New York's renowned Lutèce for more than a decade, has opened his own French restaurant, called Bertrand, in this bedroom community of New York. The restaurant is on the site of now-shuttered Greenstreet. Bertrand's successor at Lutèce has not been named.

## Chi-Chi's spurns suitor; Carlyle expands stake

LOUISVILLE, Ky. — Chi-Chi's Inc. said it has spurned overtures from an unidentified company expressing interest in acquiring the Mexican dinner house chain.

Meanwhile, a separate concern, the Washington-based Carlyle Group, notified the Securities and Exchange Commission that it had amassed a 6.7-percent stake in Chi-Chi's.

Shortly beforehand, Chi-Chi's said it is proceeding with a previously disclosed plan to buy back as much as 25 percent of its 6.5 million shares outstanding.

## Hardee's, 7-Eleven shelve twinning test

ROCKY MOUNT, N.C. — No. 4 fast feeder Hardee's and convenience-store giant 7-Eleven have suspended attempts to co-develop their concepts under a single roof.

The tests marked the first pairing of a convenience store and a fast-food outlet. Many other retailers and restaurant chains, including Church's and Dunkin' Donuts, have since launched similar trial ventures.

Hardee's president Bill Prather said the two would try another form of joint development after 7-Eleven's leveraged buyout.

## Taco Viva names Ryan as its new president

POMPANO BEACH, Fla. — Donald J. Ryan, a purported turnaround specialist who held high-level posts at Friendly and Poppin' Fresh Pies, has agreed to become president of Taco Viva, a 64-unit Mexican fast-food chain here.

Ryan, currently president of Interim Restaurant Management, a company specializing in restaurant turnarounds, will assume his post at Taco Viva early this month. He will also serve as the chain's chief operating officer.

Ryan spent 17 years within the Friendly coffee shop system, rising to president, according to Taco Viva. The fast feeder said he also served as president of the Poppin' Fresh Pies coffee shop chain, which Pillsbury sold to Vicorp.

## Fleck re-emerges as Chili's new partner

PHOENIX, Ariz. — Tom Fleck, founder of the Cork 'N Cleaver steak house chain and head of Garcia's of Scottsdale during that system's formative years, has stepped back into an entrepreneurial role as Chili's latest joint-venture partner.

Fleck and Aspen, Colo., restaurateur Peter Greene have signed on as the Phoenix franchisees of Flyer's Island Express, Chili's fledgling fast-food chain. The units will be built as a joint venture with the franchisor.

The duo said they plan to build as many as 50 Flyer's in the Phoenix area during the next three years.

## H&H promotes Colello to Bojangles' top spot

LAS VEGAS, Nev. — Horn & Hardart has named Ronald Colello executive vice president and chief operating officer of its Charlotte, N.C.-based Bojangles' fast-food chicken chain.

Colello, 40, assumes duties formerly shouldered by restaurant group president Carlos Garcia, who has stepped out of Bojangles' day-to-day operations to become more involved in the activities of the 294-unit chain's parent.

Garcia had run Bojangles' since former president Christian Schoenleb resigned late last year when Horn & Hardart announced it planned to sell the chain.

## Houston indy group restructures after split

HOUSTON — The founders of Louisiana Restaurant Associates, operator of such well-known restaurants here as Magnolia Bar & Grill and Landry's, have dismantled the company following three partners' decisions to bow out.

Billy Landry, Nathan Peck and Harold Albarado sold their stakes to former partners Jody Larriviere, Jim Gossen, and Floyd Landry for an undisclosed amount. The latter trio has formed a new concern called Louisiana Fine Foods Co. to assume operation of what remains of LRA.

In addition, the new company has acquired Landry, Peck, and Albarado's stakes in other Houston food-service businesses.

Earlier, LRA's partners sold their Willie G's and Landry's restaurants to Denis Wilson and Tillman Fertitta.

## Marriott moves into residential market

WASHINGTON — Marriott Corp., the nation's second-largest food-service concern, is branching into the residential real-estate market through the development of a 17-acre community in Palm Desert, Calif.

Marriott said it would subdivide the tract, which is adjacent to the company's Desert Springs Resort & Spa, into 34 half-acre plots. Buyers must agree to build homes with Southwestern designs and landscaping.

# Amoco unit fuels sales for Dunkin' Donuts

By Carolyn Walkup

DOWNERS GROVE, Ill. — Dunkin' Donuts is operating a satellite unit in an Amoco gasoline station here in its first test of a non-traditional location that could become commonplace.

The 800-square-foot takeout-only store offers Dunkin' Donuts' full product line, including soups, croissant sandwiches, and beverages, delivered two or three times daily from a nearby Dunkin' Donuts restaurant. "We are very encouraged by the results," said Vincent Brown, vice president of corporate development.

"We are working on this with several oil companies as a viable method of distribution," Brown said, adding that he cannot yet divulge the identities of the other oil companies until contracts are signed.

Dunkin' Donuts also has satellite units in more than 180 7-Eleven, Circle K, and Dairy Mart convenience stores. Those units are smaller than the one at the Amoco station, providing 12 to 14 doughnut varieties baked at nearby Dunkin' Donuts shops, Brown said.

*Dunkin' Donuts also has units in 7-Eleven, Circle K, and Dairy Mart stores. Those units are smaller than the one at the Amoco station, providing 12 to 14 doughnut varieties.*

A third satellite method of retailing is Dunkin' Donuts' license agreements with the Riese Organization in New York City. At some Riese locations the doughnut shop operates in combination with other restaurants, including Roy Rogers and Del Taco. The agreement calls for a total of 35 such outlets.

The chain's arrangement with Amoco is a smaller version of four McStop combination units operated by McDonald's. Those restaurants are located next to gas stations, truck washes, convenience stores, motels, and travelers' stores.

# Suppliers, wholesalers, operators told: Cooperate

By Charles Bernstein

SAVANNAH, Ga. — In a panel discussion here last month, three food-service executives urged stepped-up cooperation among manufacturers, distributors, and operators.

"Manufacturers must contact and interface with all segments of these channels," emphasized John Patten, general manager of Quaker Oats' Foodservice Division.

"Distributors must provide information to operators on important aspects, such as how to rearrange the menu, how to do breakfast, and how to operate a salad bar at maximum efficiency," asserted John Cabot, a marketing vice president for Kraft's Foodservice Group.

"We are pleased that the three legs of the industry are working together more," said Ira Hermann, Arby's chief operating officer.

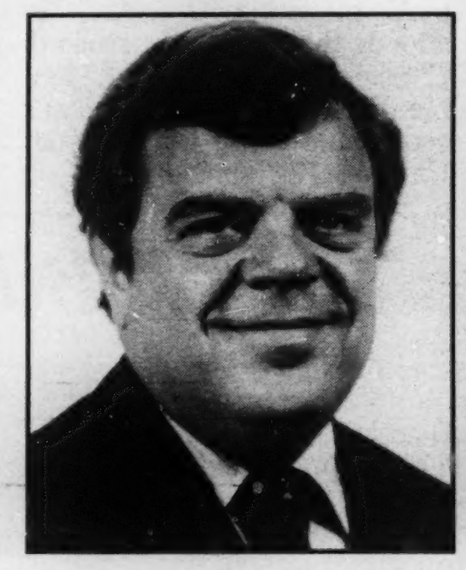
The three executives spoke to some 150 editors and publicists at the annual International Foodservice Editorial Council conference in the Hyatt Regency.

Patten suggested half seriously that all customer service people of distributors, manufacturers, and operators "should really be named executive vice presidents, as they are the absolute key people in the organizations. We must be totally customer driven at all times."

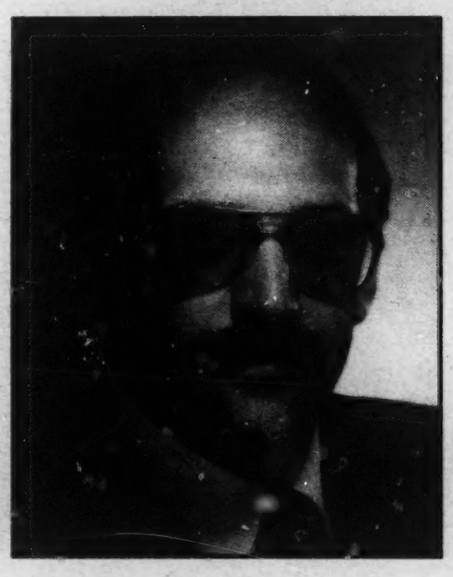
One of the biggest pitfalls for distributors is "managing all levels of service, response times, notification systems, clear invoices, credit approvals," Patten declared. He revealed Quaker plans to launch a new $20 million order entry system and to place even more emphasis on the needs of operators.

He labeled as a misconception the notion that Quaker is a bitter rival of Kraft's distributor system. "Kraft is a manufacturer as well as a distributor," he noted, "but we are friendly with them and in fact distribute some of our products through them, contrary to what many people seem to think."

In answer to a question later, Patten predicted continued consolidation among food- service distributors and projected that the current estimated 14 co-op distributor groups would be reduced to five or six within another few years.



Patten



Hermann

*'Distributors must provide information to operators on important aspects, such as how to rearrange the menu, how to do breakfast, and how to operate a salad bar at maximum efficiency,' asserted John Cabot.*

Cabot noted that Kraft's total food-service distribution volume (consisting of Kraft brands and many other brands) has soared to almost $3 billion annual sales from some 50 distribution centers. "The environment is really tough," he said, "and the operator has to know that the products he wants will be there in good order."

He stressed a pressing distributor need "for additional services, product information, and more defining of what the customer is really looking for."

Hermann portrayed Arby's co-op purchasing system as being "very effective." He said Martin-Brower is Arby's full-line distributor and "we operators don't have all the answers in this business. We've got to rely on manufacturers and distributors to help us."

At the same time, Hermann declared, "we expect 99-percent service on all items. The last thing we ever want to find out is that we're out of any item."

A rapid proliferation of products is putting far greater pressure on the entire distribution system, he observed.

# Bobby McGee's sells J. Muncy coffee shop units

By Richard Martin

PHOENIX, Ariz. — Bobby McGee's Conglomeration, the 21-unit theme dinner house-nightclub chain, has sold its two J. Muncy & Co. "high-level coffee shops" to Omega Hospitality Group. Terms were not disclosed.

Omega operates the Chive's restaurant here.

Bob Sikora, founder and president of Bobby McGee's, said the Phoenix-based company has thus ended its two-year-long foray into diversification and would now concentrate on the expansion of its flagship chain, which reports annual sales of about $55 million. Plans include new Bobby McGee's units in hotels and a proposed harbor-front franchise in Sydney, Australia.

"No. 1, I overbuilt [the $2 million-a-unit, 200-seat Muncy's restaurants, in Phoenix and Mesa, Ariz.]," said Sikora, explaining his decision to sell the downscale, Main Street America-themed concept he had conceived as a chain-expansion vehicle. "No. 2," he added, "the timing was wrong with me and Muncy's; in other words, I was too busy with Bobby McGee's."

A manager of one of the Muncy's units said business had recently been "pretty slow" and was off sharply from the weekly per-unit sales of $45,000 and higher initially reported. The two restaurants, which opened in November 1985 and March 1986, "were not as profitable as [Sikora] had expected," said the manager, noting liquor sales, in particular, had been soft.

*The Omega Hospitality group may expand the Muncy's concept, which features a pit barbecue, soda fountain, mesquite broiler, full bar and retail bakery.*

Muncy's features a pit barbecue, soda fountain, mesquite broiler, full bar, and retail bakery. Average per-person checks are about $8.50 at lunch and dinner.

Omega Hospitality Group may expand the Muncy's concept, the manager said, although he did not know whether future units would be located in the intensely competitive Phoenix area. Meb Ladah, a principal of the company, which also operates in Canada, could not be reached for comment.

Sikora said successful hotel-based branches of Bobby McGee's, in Honolulu and Burlingame, Calif., provide impetus for additional hotel developments. The newest freestanding McGee's, which opened last May in Oxnard, Calif., is projected to post first-year sales of $5 million, he said.

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# Hardee's begins new operations program

ROCKY MOUNT, N.C. — Hardee's Food Systems is implementing a new operations program designed to enhance service at its 2,800 restaurants.

The "Served With Pride" plan, which includes new training materials, emphasizes the importance of hospitality and consistency, said Paul Lovin, executive vice president of operations in a prepared release.

"Our objective is to be tops in providing customers with a pleasant eating experience each and every time they come to our restaurants," he said.

Hardee's Served with PRIDE

Training tools include product and equipment charts that should help managers identify probable causes and solutions to problems that occur in their restaurants.

A new crew-training kit contains tests, work sheets, and full-color product preparation guides. New restaurant progress and consultation forms and crew-training videotapes also are provided.

A new employee badge and recognition program for crew members who meet or exceed work station operations goals also is part of the program.

Lovin has designed a schedule to coordinate implementation of the plan and has assigned company and franchise district managers to make sure that units adhere to it.

Since joining Hardee's last year, Lovin has unified company and franchise personnel to significantly improve restaurant operations, said Bill Prather, Hardee's president.

"Paul's program has helped provide the impetus for average unit sales, systemwide sales, and customer visitations to skyrocket," Prather said.

Lovin and his operations team developed the "Served With Pride" program in conjunction with a special task force made up of both multi- and single-unit franchisees.

Paul Lovin

# Tax reform poll: Half feel no effect, but 1 in 3 seek new ways to entertain

NEW YORK — The 1986 Tax Reform Act has not affected the restaurant, travel, lodging, and assorted entertainment spending of more than half of the 1,188 respondents polled by "Venture" magazine.

Though the new tax laws did not have an effect on travel and hotel deductions, only 80 percent of business meal costs can be written off. Therefore, one in three respondents is looking for new ways to entertain that still qualify for tax benefits. Another 10 percent are cutting costs by frequenting less expensive restaurants or having more in-house business meals.

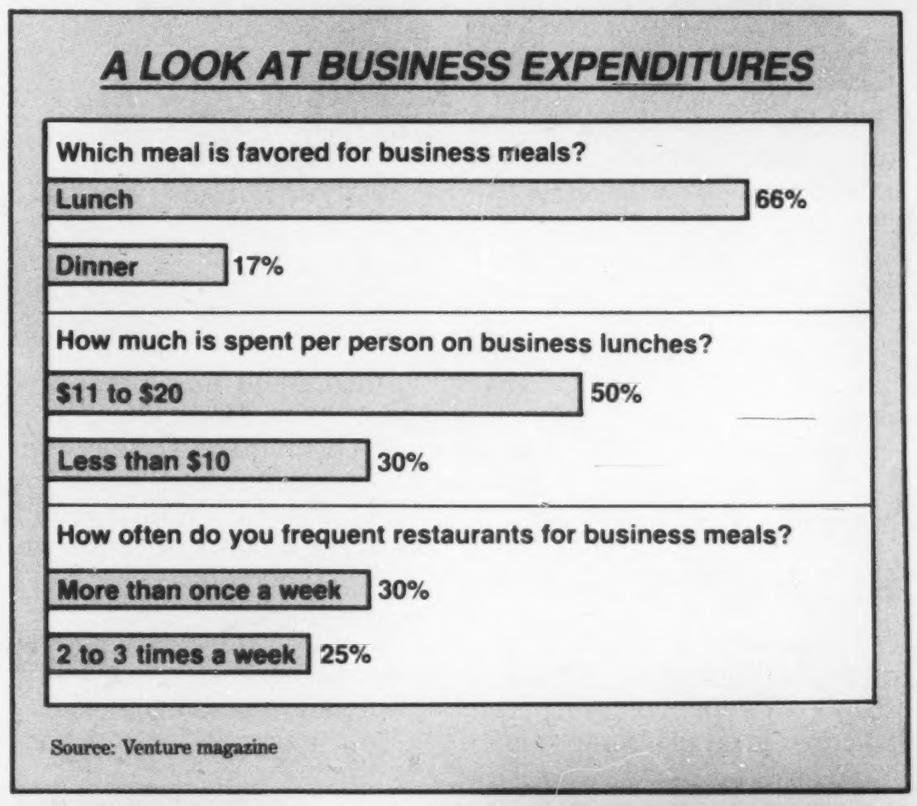
Nevertheless, restaurants are still the favored locations for business meetings. Nearly one-third of respondents visit public eating places more than once a week, and another 25 percent do so two or three times a month.

Food quality is most often the key criterion in choosing a business meeting facility, according to the survey. It also noted that 23 percent of respondents entertain clients in restaurants two or three times a month.

Two-thirds of those surveyed choose lunch for their business meal. Only 17 percent prefer the dinner hour for business meetings in restaurants.

More than half of the respondents spend $11 to $20 a person at lunch. An additional 30 percent spend less than $10 a head. For 40 percent, $21 to $35 per person is the normal tab at dinner.

Most respondents refuse alcohol during business meals, especially during the day. Eight out of 10 don't drink during lunch, although more than half do sip spirits over supper.


A LOOK AT BUSINESS EXPENDITURES
Which meal is favored for business meals?
Lunch 66%
Dinner 17%
How much is spent per person on business lunches?
$11 to $20 50%
Less than $10 30%
How often do you frequent restaurants for business meals?
More than once a week 30%
2 to 3 times a week 25%
Source: Venture magazine

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Paul Colombo

## Colombo joins cruise group

SAN DIEGO — Paul Colombo has joined Hornblower Yachts as food and beverage manager of the San Francisco-based dining cruise company.

Colombo, the former chef-owner of Colombo's downtown restaurant and head chef for Colombo's Hillcrest, will coordinate and oversee all cuisine selection and preparation for cruises chartered aboard the 103-foot Zumbrota and the 70-foot Renown, both of which yachts operate from Coronado, on San Diego Bay.

## Cortese new prexy at Hugin Sweda

PINE BROOK, N.J. — Richard A. Cortese has been appointed president and chief executive officer of Hugin Sweda Inc., a manufacturer of point-of-sale systems.

He was formerly the president and chief executive officer of Alpha Microsystems in California.

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NEWSPAPER

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Nation's
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NATION'S RESTAURANT NEWS 20 1967-1987

*The Weekly Newspaper of the Food-Service Industry*

Vol. 21, No. 47 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $26.50 a year | November 16, 1987

# Marriott hands Big Boy to Elias Bros.

## *Cuts shake up rival Denny's*

LA MIRADA, Calif. — The Marriott-Elias deal comes at a time when the corporate staff of Denny's Inc. has been decimated by its new owner, TW Services.

It was TW's $843 million buyout in September that ended Marriott's bid to buy the segment leader.

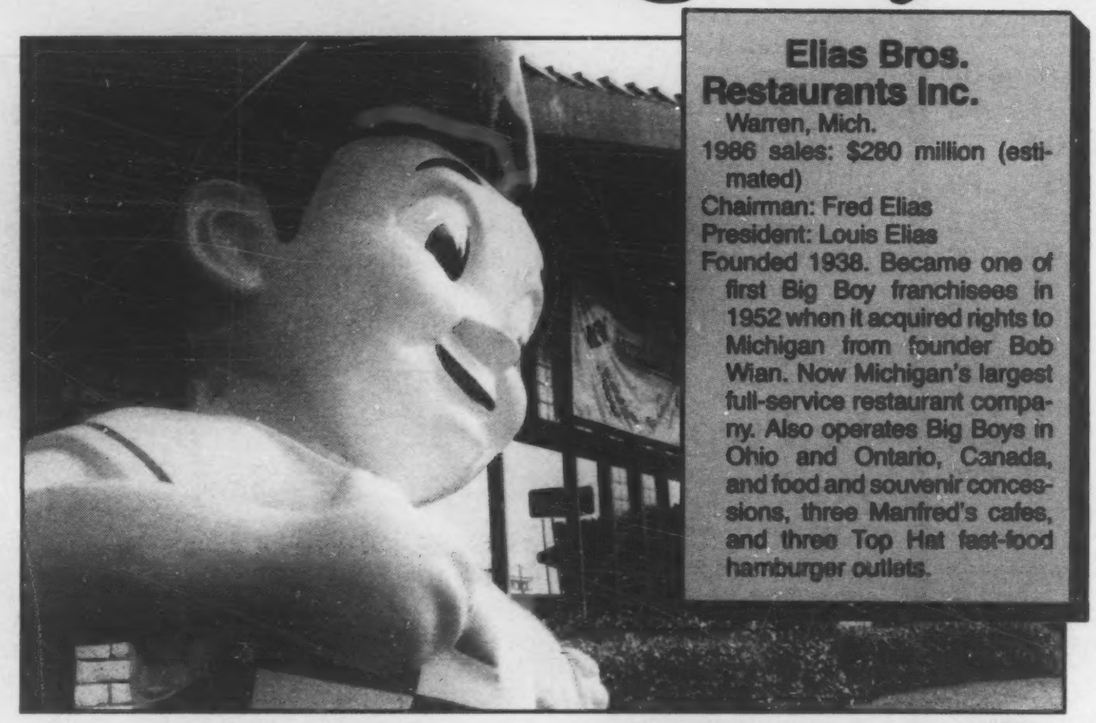
TW chairman and chief executive Frank Salizzoni said 10 percent of the La Mirada-based Denny's staff has been trimmed as part of an effort to reduce the debts of the 1,200-unit chain.

Although TW and Denny's have not disclosed the names of those cut from the company's roster, it is known that dismissals included such top executives as research and development vice president Roseanne Bye and scores of others.

In addition, the highest echelons of Denny's management have been shuffled and consolidated.

Resignations include those of Vern O. Curtis as chairman and chief executive, Roger K. Mercier as senior corporate development vice president

*(See **DENNY'S**, page 94)*



**Elias Bros. Restaurants Inc.**
Warren, Mich.
1986 sales: $280 million (estimated)
Chairman: Fred Elias
President: Louis Elias
Founded 1938. Became one of first Big Boy franchisees in 1952 when it acquired rights to Michigan from founder Bob Wian. Now Michigan's largest full-service restaurant company. Also operates Big Boys in Ohio and Ontario, Canada, and food and souvenir concessions, three Manfred's cafes, and three Top Hat fast-food hamburger outlets.

NRN Photo

## *Big Boy founder Wian blasts Marriott*

Wian

NEWPORT BEACH, Calif. — Saying he was stunned by Marriott Corp.'s transfer of Big Boy franchising rights to Elias Bros. Restaurants, Big Boy founder and former president Bob Wian blasted Marriott for its handling of the chain.

"It's a shock," Wian said during an interview at his club here.

"I didn't think Marriott would ever part with it. I didn't think Elias would ever accept it. They don't need it," said Wian, who founded the chain in 1936 and sold it to Marriott Corp. in 1967, when it numbered 600 locations.

Wian blamed Marriott for discord in the Big Boy chain and the chain's expansion problems.

In particular, Wian faulted Marriott for "mishandling" the franchisee dissension that led to the secession of

*(See **WIAN**, page 94)*

## *Elias assumes reins of fractious chain; Marcus files suit*

**By Richard Martin**

WASHINGTON — Ending 20 years of stewardship, Marriott Corp. is surrendering its role as franchisor of the sometimes fractious Big Boy family restaurant system to Elias Brothers Restaurants, a Detroit-based franchisee.

Elias, which operates 238 Big Boys, reportedly acquired the franchise rights to the entire Big Boy system of 914 family restaurants for little or nothing. Neither company would comment on details of the deal.

**Marriott fine-tunes divestment tactic**
The hospitality giant is mastering a maneuver it pioneered with HoJo and Straw Hat Pizza.
Page 94

Meanwhile, Milwaukee-based Marcus Corp., operator of the 106-unit Marc's Big Boy franchise, immediately filed suit in federal court to block Marriott from stepping down as franchisor. Officials of Marriott, Elias, and Marcus declined to comment on the legal action.

"We're disappointed that Marriott decided to do this transaction," said Clark Jones, chairman and chief executive of the 107-unit JB's Big Boy franchise, based in Salt Lake City, Utah. "The Marriott name alone gave a lot

*(See **ELIAS**, page 94)*

## FOOD WATCH

### *Falling for game*

MINNEAPOLIS — The game is afoot at the newly opened D'Amico Cucina here, as buffalo, rabbit, and organically raised ducks are being introduced as late-fall menu additions.

Executive chef Larry D'Amico and chef Greg Westcott are adapting those largely Midwestern-grown products to Italian-style preparations. For example, the buffalo is used in a carpaccio with juniper berry mayonnaise as well as in an entrée, where it is sliced, sautéed, and served with a berry sauce and Italian chestnut pancakes.

Another new item, rabbit Bolognese, is served with tomato sauce and tomato tagliatelle. Peking duck from northern Minnesota is used three ways: as an appetizer of warm preserved duck and apples with an apple cider sauce, an entrée of duck breast served with leeks and golden raisins, and on pizza with golden raisins and roasted tomatoes.

**—Carolyn Walkup**

# Sunday brunch packs new sales punch

## *Tactic fills otherwise empty restaurants with diners who return for lunch, dinner*

**By Carolyn Walkup**

Instead of taking a day of rest, restaurateurs across the nation are filling otherwise empty dining rooms with brand-new customers by adding elaborate Sunday brunches to their operations.

Successful operators say the sales-boosting strategy introduces to the restaurant new customers who come back for dinner or lunch and use the restaurant when it would otherwise stand empty.

At many restaurants brunch is garnering 10 percent to 15 percent of total weekly sales.

"The restaurant was empty on Sunday, so it makes sense to use it," said Paul Emmett, who added a champagne brunch to Jake's in New York after three and one-half years of operation.

"It's another opportunity for people to come here other than for business lunches and dinners," said Kathy Kozlak, co-owner of Minneapolis' half-century-old Jax, which has long had Sunday brunches. She merchandises the Sunday meal by keeping brunch menu cards on the tables at all times.

Even budget-priced chain restaurants are showing interest in brunch. Los Angeles-

*(See **BRUNCH**, page 94)*

NRN Photo

**Staff sets up brunch at Four Farthings Tavern & Grill in Chicago.**

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## NEWS DIGEST

# Sullivan replaces Cooper at helm of Dairy Queen

MINNEAPOLIS — International Dairy Queen, operator of the Dairy Queen, Orange Julius, and Karmelkorn snack chains, has named Michael Sullivan to replace Harris Cooper as president and chief executive officer.

Cooper resigned to develop a home-delivery service called Telechef Corp., a joint venture between Dairy Queen and a partner it declined to identify. Cooper was described in news reports as a "shareholder" in the new endeavor.

Sullivan, a 51-year-old lawyer, had been IDQ vice chairman, secretary, and director.

# Goeglein steps down as Holiday Corp. president

MEMPHIS, Tenn. — Richard Goeglein, the gaming executive who climbed to the presidency of Holiday Corp. during the hotel operator's diversification drive several years ago, has retired at age 52 to pursue personal interests, Holiday said.

Earlier this year, Goeglein was intensely questioned by Atlantic City gaming authorities about allegations that Holiday executives had used organized crime figures to resolve labor disputes at one of the company's Harrah's casinos.

Goeglein, who was president of Harrah's at the time of the alleged mob dealings, denied any knowledge of wrongdoings. The officials subsequently renewed Holiday's gaming license.

# Le Peep's Waldman retiring as president

DENVER — Donald ("Buddy") Waldman, founder of Le Peep Restaurants, is retiring as president of the 43-unit breakfast-only chain.

Waldman, who had served as Le Peep's president since the chain was launched in 1981, will serve as a consultant to the company and may become a franchisee in Southern California.

The company, which went public in August 1986, lost $1.9 million in the six months ended June 30, compared with a $2.1 million loss in the year-ago period. The loss in fiscal 1986 was $4.6 million.

# Bennigan's touts extensions of its Italian menu line

DALLAS — Bennigan's, Pillsbury Co.'s strongest dinner house contender, has launched a two-month promotion of the five new Italian dishes included on a new menu rolled systemwide in October.

The move is consistent with attempts by Pillsbury's other restaurant chains, including Burger King, to snare more repeat business through short-term promotions of new food items.

The new pasta dishes are scallops Milano, manicotti, veal Parmesan, shrimp marinara, and chicken cacciatore. A sixth item, an appetizer of deep-fried bowtie-shaped macaroni, called Pasta Bites, is being promoted through December but is not on the 211-unit chain's permanent menu.

# Index up 5.4 points

5.4

NEW YORK — After falling more than 35 points in the two previous weeks, the *Nation's Restaurant News* Stock Index rose 5.4 points in the week ended Nov. 6 and closed at 151.0.

The Dow Jones Industrial Average of 30 blue chips, meanwhile, fell 34.48 points and finished the week at 1,959.05. Analysts attributed the decline to profit taking by investors.

On *NRN*'s list of restaurant, lodging, diversified, and food-service manufacturing and distributing companies, 60 advanced in price, 73 declined, and 24 did not change.

G.D. Ritzy's led the percentage-price winners, rising 71 percent, or 31 cents, to close at 75 cents. Servico was the second-highest advancer, moving up $2.25, or 27 percent, to $10.50. Southmark Corp. has made a tender offer for more than 1.2 million shares of Servico, a hotel franchisee.

**More financial news, pages 92-93**

# Outhier to shutter Riviera's L'Oasis

LA NAPOULE, France — Celebrated chef and restaurateur Louis Outhier is planning to close his L'Oasis—a French Riviera landmark rated "three stars" by the Michelin guide for the past 17 years—by the end of 1988.

Outhier will continue to consult for Swissotel-owned Drake hotels in Boston, New York, and Chicago.

# Pillsbury trims S&A's payroll, concept array

MINNEAPOLIS — In a move to shore up its S&A Restaurant Corp. dinner-house subsidiary, Pillsbury Co. said it will lay off 60 S&A staffers and is shopping for a buyer for S&A's Bay Street and Key West Grill concepts.

The conglomerate confirmed that it is also peddling Innovative Foodservices, S&A's fledgling hotel food-service operation. The startup concern operates restaurants in Embassy Suite hotels.

Pillsbury noted that S&A will concentrate on expansion of its Bennigan's and Steak and Ale chains.

# Canteen veteran McGuire dies at industry conference

PHILADELPHIA — James T. McGuire, vice chairman and former president of Canteen Corp., TW Services' contract-feeding concern, died of an apparent heart attack here while he was addressing members of the Automatic Merchandising Association.

McGuire, who was 69, joined Canteen before World War II on a part-time basis, pitching for the Boston Red Sox during the baseball season and working for the contract feeder for the remainder of the year.

After hanging up his spikes, McGuire ascended Canteen's corporate ladder, rising to president in 1981. He held the post for four years before retiring at age 65.

**Compiled from staff and news reports**

# *1988 Hall of Fame ballots readied*

NEW YORK — Ballots for the *Nation's Restaurant News* Fine Dining Hall of Fame are being readied to be mailed to the 80 previous award winners, who will be asked to choose 10 new inductees for 1988.

This marks the ninth year that *Nation's Restaurant News*, the weekly newspaper of the food-service industry, has sponsored a program honoring the excellence of fine-dining restaurants.

Hall of Fame '88

*NRN* Fine Dining Hall of Fame awards are presented annually to the owner or owners of each restaurant for embodying the highest standards in food preparation, table service, consistency of operation, and employee training and motivation and for enhancing the fine-dining experience in general.

The 1988 award winners will be featured in *Food Trends in Fine Dining*, a special magazine that will be published by *Nation's Restaurant News* on May 9, 1988.

In addition, the 1988 award winners will be honored along with the previous inductees at a champagne luncheon in Chicago next May during the National Restaurant Association show.

STOCK-MARKET CRASH: THE AFTERMATH

# King's Table execs revamp buyout offer

By Alan Liddle

EUGENE, Ore. — Saying its financial backers were reluctant to proceed as originally planned, a group of International King's Table Inc. executives who earlier bid $69.9 million for the buffet-restaurant chain has lowered its offer to $52.4 million.

Independent directors for the 90-unit chain approved the new offer after the company's investment bank, Boettcher & Co., rendered an opinion that the revised price was "fair to public shareholders under current market conditions."

"They [the buyers] are stealing it at that price," remarked Jennifer Groves, vice president of Black & Co., a Portland, Ore.-based investment company that follows International King's Table.

She said that while Wall Street's recent woes might depress the price of the stock in the short run, the company's worth is likely to go up if there is a recession. That could happen, Groves said, because in tough times an appreciable percentage of the public has shown a tendency to trade down from full-service restaurants to buffets in search of value.

The price of International King's Table stock dropped from $15.50 to $15.25 on Nov. 2, the day the company announced acceptance of the lower bid. Prior to Oct. 19, or "Black Monday," when the stock market fell a record 508 points, International King's Table stock was fetching $21 per share.

Chairman and chief executive officer Roger W. Houmes, president and chief operating officer Everett F. ("Jeff") Jefferson, and vice president of finance and treasurer Stephen Wendell are the company officers taking part in the proposed buyout. Also involved are some of the company's outside directors.

Company officials said they had been informed by the suitor group that it could not secure the financing needed to satisfy the initial offer of $24 a share. However, the prospective lenders and other equity investors "confirmed their willingness to proceed at the revised price" of $18 a share, they said.

International King's Table officials also said that the date after which either party can terminate the agreement provided it has not closed was changed from March 31, 1988, to Feb. 28, 1988. The merger, they said, continues to be conditioned upon the availability of financing.

Montgomery Securities of San Francisco is the investment banker for the purchasing group.

International King's Table reported sales of $22.26 million and net income of $753,000 for the quarter ended Sept. 19. That compared with sales of $20.9 million and net income of $1.03 million for the same quarter a year ago.

In his quarterly report, Houmes attributed the rise in sales to the opening of five new restaurants in the second half of the year and a menu price hike.

# Calny Inc. accepts Pepsico's acquisition bid

SAN MATEO, Calif.— Taco Bell franchisee Calny Inc., which twice during the past year rebuffed suitors offering more money, has agreed in principle to be purchased for $36 million by Taco Bell parent Pepsico.

The proposed sale price is $11 a share, or about $2 a share more than Calny stock was trading at following Wall Street's recent crash.

The deal comes at a time when Calny has posted two quarters in a row of profits, after losing money for three straight quarters.

Pepsico, which has acquired a 31.5-percent stake in Calny since the beginning of the year, saw an offer of $11.50 a share rejected by Calny board members in March. The board had earlier rejected an $11.50-a-share offer from a group that included former Calny president Robert T. Larive.

William Ahern, Calny's executive vice president, said the board was looking after shareholder interests when it accepted Pepsico's latest offer.

He said the board believed that Pepsico would continue buying large blocks of stock on the open market and could find it easier to make such purchases in light of the depressed price of the stock following Black Monday. Faced with that scenario, Ahern said, the board opted to "negotiate."

"We think it's a good investment in a great market," James Griffith, Pepsico's vice president of public relations, said of his company's reasons for buying Calny, which operates 142 Taco Bell restaurants in Central and Northern California, Washington, Oregon, and Texas.

Griffith said it was too early to comment on the fate of Calny corporate employees should the deal go through or the way the Calny system would be incorporated into Taco Bell.

Calny's stock price rose $1.12 to $10.25 a share following the Nov. 3 announcement concerning the sale.

The transaction, which is subject to shareholder approval, is expected to close early next year, Calny officials said.

*The board believed that Pepsico would continue buying large blocks of stock on the open market and could find it easier to make such purchases in light of the depressed price of the stock following Black Monday.*

Earlier, Pepsico officials had said the company was buying stock in Calny "to ensure the integrity of the Taco Bell system." At the time Calny had suffered three consecutive quarters of declining earnings compared with the prior-year results, and Pepsico officials expressed a belief that Calny management was not paying attention to restaurant operations and that that could reflect poorly on the entire chain.

Calny officials denied the charges of mismanagement and a short time later filed a multi-million-dollar lawsuit against Pepsico. That suit claimed, in part, that Calny's earnings woes were related to losses from the La Petite Boulangerie bakeries it operated under license from Pepsico.

For the most recent quarter, ended Aug. 11, Calny reported sales of $21 million and net income of $768,752, compared with sales of $18.6 million and net income of $486,367 in the comparable quarter the year before.

# Bidding war re-ignites over Restaurant Associates

## *Soliman tops RA's bid*

By Don Jeffrey

NEW YORK — In what is shaping up as a replay of events just two months ago, top executives of Restaurant Associates and chain restaurateur Anwar Soliman have opened a new bidding war for the 30-year-old food-service company.

Following the stock market crash Restaurant Associates managers lowered their bid to $14.25 a share for all shares not owned by them, from the $18 that the board approved in September. RA's board immediately accepted the new offer.

But Soliman, who had raised his bid to $19 two months ago before withdrawing it, re-entered the bidding with a $17-a-share offer.

RA chairman Martin Brody said executives submitted a new bid because the stock market crash had increased the cost of financing, decreased the market value of the company, and made financing for leverage buyouts difficult.

Shares closed recently at $13.50 on the American Stock Exchange, down from about $17 before the stock market collapse. About 5.6 million shares are outstanding.

Analysts and shareholders, however, who had been tantalized by $18 and $19 offers, were disappointed by management's lowered bid.

"If people who know the company think it was worth $18, that's what it's worth," said RA shareholder Stephen Anfang.

Jeff Kessler, an analyst with Cowan & Co., said management's $14.25 bid was "not undervalued, but it certainly is at the low range of the breakup value of the company."

"But there's a question whether Soliman can raise the money," Kessler added.

In a news release, RA said a special committee of its board would delay considering Soliman's proposal until his financier, a General Electric Credit Corp. unit, had completed its due-diligence review of RA.

Soliman, a former W.R. Grace restaurant executive, purchased a group of chains earlier this year in a leveraged buyout from Saga Corp.

Although Soliman refused to comment about the RA bid, sources believe that because his new company, American Restaurant Group, is highly leveraged, it might be difficult for him to take on new debt to buy RA.

In addition, RA executives, who control 47 percent to 49 percent of the company, have said they would refuse to sell their shares to Soliman.

Restaurant Associates includes the 26-unit dinner house chain Charlie Brown's; the 42-unit Mexican chain Acapulco; several full-service, high-volume restaurants, such as Mamma Leone's in New York; and a chain of 154 newsstands in major cities.

Brody said there was "no contemplation of the sale of any assets" to pay down debt from the acquisition.

Kessler said RA's restaurant operations would mesh well with Soliman's, whose company, based in Newport Beach, Calif., operates the Grandy's, Black Angus, Velvet Turtle, and Spoons chains and a diverse group of full-service restaurants under the name Spectrum Foods.

## CORRECTIONS

"Wage fight: Battle over minimum wage enters nation's statehouses," Nov. 2, page 1, incorrectly reported that Minnesota currently has a minimum wage higher than the federal level of $3.35. In fact, Minnesota is at the federal minimum now, but effective Jan. 1, a new law will raise the minimum wage to $3.55 for restaurants with gross sales of more than $365,000 and to $3.50 for restaurants with sales less than $365,000.

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Vol. 21, No. 47 November 16, 1987

FOCUS | NRN

# Aging baby boomers to boost industry

## *A USDA special report predicts big gains for food service in the coming decades as today's convenience-oriented yuppies make the transistion to middle age*

By Deane Evans

WASHINGTON — The food-service industry stands to be a "big gainer" in the coming decade as the baby boomers, currently the most frequent diners, grow older and spend an even greater share of their income in restaurants.

That was the conclusion of a recent U.S. Department of Agriculture study, which paints the most upbeat picture this year on trends in the food-service industry. The USDA's Economic Research Service said that by the end of the decade, the number of Americans 50 years and older is expected to increase 23 percent.

"By the year 2000 the 50-year-old age group will include the generation that grew up on fast foods, salad bars, and home-delivered pizza," forecasters explained. "With the children grown and on their own, with the home mortgage paid off (80 percent of homeowners 55 to 64 own their homes), the interest in convenience foods and dining out will probably continue."

If predictions for further growth in restaurants' share of U.S. food expenditures materialize, the trend will continue a dining-out movement that covers 20 years. Food away-from-home sales in 1985 totaled 43 percent of all food spending by Americans, a substantial increase from a 26-percent share in 1960, researchers reported.

"About one-third of all meals and snacks are now eaten out, compared with 1 in 4 in 1960," they said. Rising incomes, two-income and single-parent households, and an aging population contributed to restaurant gains. Among more than 700,000 places to eat out in the United States (from hot dog vendors at the ball park to school cafeterias), fast feeders were the big sales winners, according to government economists, with consumer spending at U.S. chains rising from $20 billion in 1977 to more than $52 billion in 1985. Even adjusted for inflation, the growth represented a 46-percent increase. Fast-food outlets accounted for 32 percent of away-from-home food sales in 1985, compared with only 5 percent in 1958.

Fast-food gains came at the expense of "conventional" restaurants, lunchrooms, cafeterias, and other commercial food-service operations, economists said. Such outlets saw their share of the dining-out dollar decline from 54 percent to 42 percent.

Researchers also found the "mix" of food eaten away from home is changing. For example, they said, "more offerings of salads and lighter fare are now competing with the 'burger and fries' standard of recent years." Health-conscious Americans generated a rise of almost 82 percent between 1973 and 1985 in the number of franchises featuring chicken. Outlets offering the bird grew at the expense of hamburger and roast beef places, which experienced a rise of only 48 percent.

Forecasters also predicted traditional restaurants would face more competition from grocery and convenience store "fast-food and limited-menu food service (i.e., prepared sandwiches and microwavable dishes)."

### AVERAGE WEEKLY PER-PERSON SPENDING FOR FOOD-AWAY-FROM-HOME BY HOUSEHOLD SIZE, 1984 (1)

| | Number of household members | | | | | | |
|---|---|---|---|---|---|---|---|
| | Dollars | | | | | | |
| | All | One | Two | Three | Four | Five | Six or more |
| Breakfast and brunch | 0.53 | 1.20 | 0.67 | 0.61 | 0.30 | 0.37 | 0.14 |
| Lunch | 2.94 | 5.02 | 3.43 | 2.87 | 2.60 | 2.29 | 1.55 |
| Dinner | 3.53 | 6.82 | 4.75 | 3.52 | 2.61 | 2.33 | 1.22 |
| Snacks and other | 1.03 | 1.45 | 0.98 | 0.91 | 0.84 | 0.71 | 1.69 |
| Total (2) | 8.03 | 14.49 | 9.82 | 7.91 | 6.36 | 4.20 | 4.59 |

(1) Urban households only
(2) Numbers may not add because of rounding
Source: "Food Spending in American Households," U.S. Department of Agriculture, Economic Research Service (forthcoming)

### POPULATION CHANGES IN VARIOUS AGE CATEGORIES, 1950-85

| | Percent Change | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Years | Total All ages | Under 5 years | 5-13 years | 14-17 years | 18-24 years | 25-34 years | 35-44 years | 45-54 years | 55-64 years | 65 years and over |
| 1950-55 | 9.0 | 13.1 | 24.5 | 9.5 | – 6.9 | 1.0 | 5.9 | 8.2 | 9.2 | 17.2 |
| 1955-60 | 8.9 | 9.6 | 18.0 | 21.3 | 7.7 | – 5.6 | 5.7 | 9.0 | 6.9 | 14.8 |
| 1960-65 | 7.5 | – 2.5 | 8.5 | 26.2 | 25.8 | – 2.0 | 0.9 | 6.1 | 9.3 | 10.7 |
| 1965-70 | 5.4 | – 13.5 | 2.5 | 12.4 | 21.6 | 12.6 | – 5.3 | 6.7 | 9.3 | 8.9 |
| 1970-75 | 4.2 | – 7.4 | – 8.7 | 6.4 | 11.8 | 22.2 | – 1.4 | 1.9 | 5.9 | 11.5 |
| 1975-80 | 5.4 | 2.0 | – 8.4 | – 5.8 | 8.5 | 19.5 | 13.4 | 4.3 | 8.5 | 13.3 |
| 1980-85 | 5.1 | 9.9 | – 3.1 | – 7.9 | – 5.3 | 12.3 | 23.0 | – 0.6 | 2.7 | 11.0 |

Sources: U.S. Department of Commerce, Bureau of the Census, "Current Population Reports," Series P-25, No. 949, May 1984.
U.S. Department of Commerce, Bureau of the Census, "Current Population Reports," Series P-25, No. 1000, February 1987.

### AVERAGE WEEKLY PER-PERSON SPENDING FOR FOOD-AWAY-FROM-HOME BY REGION, 1984 (1)

| | SMSA (2) | | | | |
|---|---|---|---|---|---|
| | Dollars | | | | |
| | All | Northeast | North Central | South | West |
| Breakfast and brunch | 0.53 | 0.57 | 0.56 | 0.45 | 0.71 |
| Lunch | 2.94 | 3.08 | 2.75 | 3.15 | 3.22 |
| Dinner | 3.53 | 3.92 | 3.38 | 3.32 | 4.23 |
| Snacks and others | 1.03 | 0.96 | 0.92 | 1.33 | 1.01 |
| Total (3) | 8.03 | 8.53 | 7.61 | 8.25 | 9.17 |

(1) Urban households only
(2) Standard Metropolitan Statistical Areas defined by the Office of Management and Budget
(3) Numbers may not add because of rounding
Source: "Food Spending in American Households, 1982 -84," U.S. Department of Agriculture, Economic Research Service (forthcoming).

# NOTE

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*Alcohol sales rise 5% in restaurants*

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...rs offer ...panese

...N.Y. Metro Report/Page 40

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*The Weekly Newspaper of the Food-Service Industry*

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Chefs Mark Militello, right, and Charles Saunders.

## *Haute cuisine pioneers take Florida to the Max*

**By Joe Edwards**

POMPANO BEACH, Fla. — Restaurateur Dennis Max and executive chef Mark Militello have taken South Florida by storm, turning on customers to New American and Tuscan food at their three restaurants and attracting national attention to Sunshine State cuisine.

Cafe Max in Pompano Beach, Max's Place in North Miami, and Maxaluna Tuscan Grill in Boca Raton are grossing more than $7 million a year, offering dishes prepared with fresh, sometimes unusual, and often locally produced seafood,

*(See MAX, page 54)*

# NRA foresees rosy '88, disputes recession fears

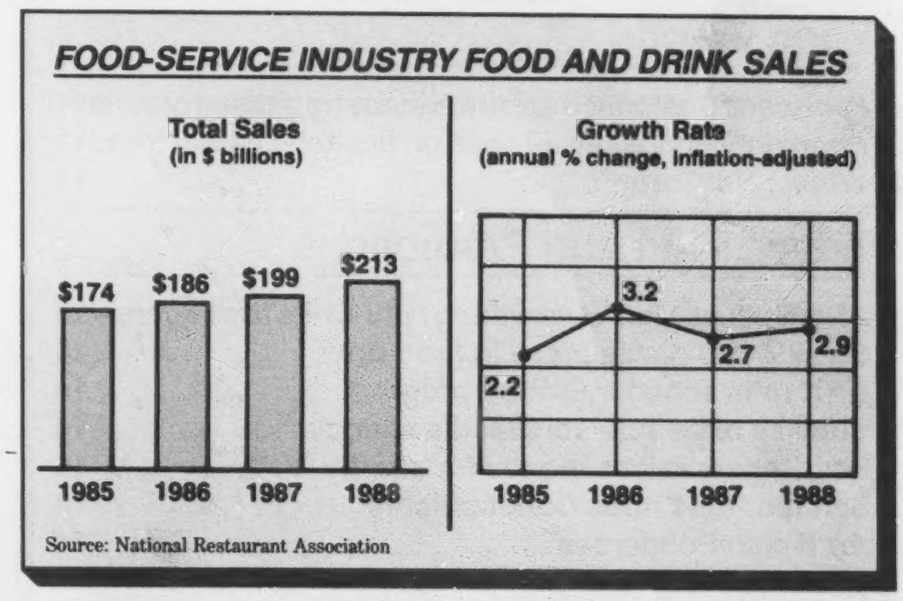
**By Don Jeffrey**

NEW YORK — The National Restaurant Association, unfazed by the stock-market collapse and predictions of a consumer-spending slowdown, has unveiled an optimistic economic forecast for the industry in 1988.

The trade organization projected that sales in the nation's restaurants, bars, and contract and institutional feeders would rise 7.1 percent, to $213.5 billion, in 1988.

With inflation factored out, industry-wide real sales growth would be 2.9 percent, compared with a projected 2.7 percent this year and an estimated 3.2 percent in 1986.

And, according to NRA calculations, fast feeders should outperform other eating places in sales gains. The NRA is the nation's leading trade group for the food-service industry, and its economic data are generally held to be the most authoritative.




"The news is good; in fact, it is breathtaking," NRA president Michael Grisanti said at a press conference in New York this month.

But the news could turn bad.

Many economists are warning that consumer and business spending could slow in the aftermath of the stock-market crash, sparking a recession. They fret about a declining dollar and the nation's expansive budget and trade deficits.

Grisanti cited research showing that consumer confidence had "dipped only slightly" since the stock-market collapse on Oct. 19. But, noting

*(See NRA, page 54)*

# 7-Eleven freezes fast-food plan

## *Stock-market crash clouds Southland buyout*

**By Peter J. Romeo**

DALLAS — 7-Eleven, the convenience-store giant whose rapid move into fast feeding sent tremors through the restaurant industry, is halting installation of food-service equipment until a leveraged buyout of its parent is completed.

Jere Thompson

The retail chain has also shelved tests of fast-food joint ventures with Hardee's and Church's and has aborted attempts to strike a similar arrangement with Rocky Rococo.

However, 7-Eleven has not terminated its search for ways to sell through its 8,200 units the products of nationally known food-service chains.

The chain is hammering out an arrangement to stock Dunkin' Donuts' signature pastries. The convenience-store chain is already testing such a venture with Winchell's Donuts.

The retailer's operators, the Thompson family of Dallas, have agreed to buy 7-Eleven parent Southland Corp., for $4.9 billion.

The stock market crash prompted Joe, Jere, and

*(See 7-ELEVEN, page 4)*

# Minneapolis: Fine-dining battleground

**By Carolyn Walkup**

MINNEAPOLIS — Operators of new upscale urban restaurants here have set out to upgrade fine-dining standards in a tough, price-sensitive market.

The operators of D'Amico Cucina, Goodfellow's, and Tejas believe the time and place are right for their concepts.

Downtown Minneapolis is booming with retail and office development.

Per-capita income is high—$16,799 in Hennepin County in 1984, the last year for which statistics are available. And unemployment is low—3.9 percent.

"I think there are enough people here to support it," Richard D'Amico said of his D'Amico Cucina, an elegant contemporary Italian restaurant he and his brother Larry hope will equal other highly regarded

*(See MINNEAPOLIS, page 4)*

## FOOD WATCH

### *Trifling with tradition*

Restaurateurs who keep their doors open on Thanksgiving know better than to trifle with the turkey tradition. But in recent years some intrepid operators seem to have been touched by the pioneering spirit when hunting for alternate selections for their turkey day menus.

For example, chef Bradley Ogden of Campton Place in San Francisco is offering a limited Thanksgiving menu that includes grilled breast of pheasant with American foie gras; potato galette, which resembles a potato pancake; and braised red Swiss chard.

A bit farther south in Monterey, Calif., Hammerheads is featuring wild goose and Cornish game hens stuffed with quail.

In New York native American restaurant Silverbird plans to serve grilled venison, while the Italian trattoria Sandro's is featuring crisp suckling pig and braised goose.

Ocean Avenue Seafood, the hot, new restaurant in Santa Monica, Calif., is offering swordfish in chili-lime butter as well as poached salmon with oysters in fresh basil cream.

And for those who want turkey—but with a twist—Abacus, a Los Angeles Chinese seafood restaurant, will serve a tea-smoked turkey.

—Paul Frumkin

ACADEMY LEADS NRN FINE DINING HALL OF FAME SELECTIONS — Page 2

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## NEWS DIGEST

# Anwar Soliman drops bid for Restaurant Associates

NEW YORK — Anwar Soliman, the Newport Beach, Calif.-based restaurant chain executive, has withdrawn his $17-per-share bid for Restaurant Associates Industries here. No explanation was given.

The retreat appeared to clear the way for RA executives to complete their $14.25 bid for the company, owner of such well-known restaurants as Mamma Leone's and Acapulco.

It marked the second round that RA insiders won. Earlier, Soliman withdrew a $19 bid, letting stand a $17 offer from management. After the October stock-market crash, management reduced the proposal to $14.25 for the 5.6 million shares outstanding.

# Sogni Dorati, Melvin's Cafe close suddenly in Chicago

CHICAGO — Two well-known Near North Side restaurants, Sogni Dorati and Melvin's Cafe, have closed.

Sogni Dorati's chef-owner Silvio Pinto and family closed their six-year-old Italian fine-dining restaurant because of financial problems, Pinto said.

Owners of Melvin's Cafe would not comment on reasons for shutting down the casual restaurant and bar that was most noted for its outdoor cafe in the heart of the Rush Street entertainment district. One Rush Street observer surmised that Melvin's "died in the winter," and its owners may not have wanted to endure another one.

# Taco Cabana faces fine after immigration raid

SAN ANTONIO, Texas — Immigration officials were reportedly considering fines against Taco Cabana Inc. following a raid on six outlets that picked up 23 illegal aliens.

A U.S. Immigration and Naturalization official conceded, however, that the company had attempted to comply with the stiff, new law.

Taco Cabana, a fledgling Mexican fast-food chain, recently joined with dinner house operator Chili's Inc. of Dallas in a joint development venture.

# Riese adds KFC, Nathan's to its NY franchise fold

NEW YORK — The Riese Organization has signed franchise agreements to open 25 Kentucky Fried Chicken outlets and 23 Nathan's Famous units in Manhattan over the next five years.

KFC already owns and franchises 150 fast-food restaurants in the area; Nathan's operates 19 fast-food units here.

It was initially unclear whether or not Riese would continue as a Church's Fried Chicken franchisee.

Riese also operates more than 200 other restaurants—most of them franchised units of national chains, including Pizza Hut, Houlihan's, Roy Rogers, and Del Taco.

# Index up 1.8 points

1.8

NEW YORK — In its second consecutive weekly advance, the *Nation's Restaurant News* Stock Index rose 1.8 points in the period ended Nov. 13, closing at 152.8.

The Dow Jones Industrial Average of blue-chip stocks fell 24.04 points in the week, to 1,935.01. Analysts attributed the decline in part to Washington's lack of progress in trimming the nation's budget deficit.

Ark Restaurants, operator of full-service New York dining establishments, led all restaurant companies in volume surge as 90,500 shares were traded, 135 percent above average. Consolidated Products, operator of the Steak 'n' Shake chain, was the leading percentage-price gainer, rising 88 cents, or 24 percent, to $4.50. G.D. Ritzy's was the biggest relative decliner, losing 19 cents, or 25 percent, to 56 cents.

**More financial news, pages 52-53**

# Robert Rosellini to reopen The Other Place next month

SEATTLE — Robert Rosellini said he would reopen The Other Place, his restaurant here, early next month in a condominium complex adjoining the Pike Place Market.

The Other Place, operating in a 50-story bank building, had served as a showcase for Northwest foodstuffs for 13 years before Rosellini closed it at the beginning of 1987 to prepare for the move to new quarters.

# Wellington leaving Aurora for Stillman's NY group

NEW YORK — Ray Wellington, managing director of Joe Baum's Aurora here, will be leaving the two-year-old restaurant early next year to work with Alan Stillman's New York Restaurant Group.

Wellington will step in as director of wine for the Manhattan Ocean Club, Smith & Wollensky, and the Post House.

# Cadillac Bar sues Chevys over alleged copycatting

SAN FRANCISCO — The owners of the Cadillac Bar here allege in a lawsuit that several key components of their five-year-old concept have been copied by the year-old Chevys Mexican chain.

Cadillac Bar attorneys filed a so-called trade dress infringement suit against three-unit Chevys in U.S. District Court. In it they asked the court to bar Chevys from using design and menu elements that could lead the public to believe the two concepts are related.

Attorneys for Chevys said the suit is "without merit" and have asked the court to dismiss it.

**Compiled from staff and news reports**

# *Academy leads Hall of Fame voting*

NEW YORK — A distinguished academy of 80 *Nation's Restaurant News* Fine Dining Hall of Fame members will be leading the selection of the winners for 1988.

Last year's inductees, for example, were Anthony's restaurant in St. Louis; Arcadia in New York; Chez Panisse in Berkeley, Calif.; Jean-Louis at Watergate in Washington; Morton's in Chicago; The Old Original Bookbinder's in Philadelphia; Routh Street Cafe in Dallas; Sammy's in Cleveland; Season's at the Bostonian Hotel in Boston; and Trumps in West Hollywood, Calif.

Hall of Fame '88

Ballots are being readied to be mailed to all the previous winners.

This marks the ninth year that *Nation's Restaurant News*, the weekly newspaper of the food-service industry, is sponsoring a program honoring excellence in fine-dining restaurants.

The Fine Dining Hall of Fame awards are presented annually to the owner or owners of restaurants for embodying the highest standards in food preparation, table service, consistency of operation, employee training and motivation and for enhancing the fine-dining experience in general.

The 1988 award winners will be featured in *Food Trends in Fine Dining*, a special magazine that will be published by *Nation's Restaurant News* May 9, 1988.

In addition, the 1988 award winners will be honored along with the previous inductees at a Champagne luncheon in Chicago next May during the National Restaurant Association show.

# 7-Eleven slows fast-food push

(Continued from page 1)
Joe ("Jodie") Thompson, Southland's chairman, chief executive, and director, respectively, to postpone an offering of junk bonds that was to fund the acquisition.

The setback for long-term financing came after the Thompsons had already laid out $2.4 billion in borrowed funds to buy the 31.5 million shares, or 60 percent, of the company they did not already own.

Because of the LBO, a spokesman said, the Thompsons are too pressed financially to equip more units with The Works Condiments Bar, which 7-Eleven recently developed as the linchpin of its in-store feeding program.

The bar, a toppings station similar to those of Hardee's, Roy Rogers, and other quick-service chains, has been rolled into 200 7-Elevens to position the units as bona fide fast-food outlets rather than as retail stores selling finger foods as a sideline.

The units sell microwavable hamburgers, hot dogs, burritos, nachos, and sandwiches.

"We will not proceed further with the bars at this time because of the capital expenditures involved," the spokesman said.

It was not clear what effect, if any, the pending LBO will have on 7-Eleven's deli sandwich program. Late in 1986 the chain added a line of hot sandwiches, marketed under the name Get Hot, in 2,000 West Coast stores.

The array helped to bolster 7-Eleven's food-service sales to 8.1 percent of its total intake for 1986. Revenues totaled more than $8 billion.

The marketing value of The Works Condiments Bar emerged during recently discontinued tests of ventures with Hardee's and Church's Fried Chicken.

In those trials, which were halted months ahead of schedule, five 7-Elevens were outfitted with either a scaled-down Hardee's or Church's fast-food outlet.

Another 7-Eleven concurrently tested an in-store sandwiches-and-hot-dogs concept called The Works, which the retailer developed itself.

None of the three ventures met 7-Eleven's expectations, the spokesman said. He noted that the decisions to halt tests with Hardee's and Church's were made mutually with those parties.

"Putting burgers and biscuits into 7-Elevens with equipment didn't give 7-Eleven as good a payback as other alternatives," commented Jack Laughery, chairman of Imasco USA, the parent of the Hardee's hamburger chain.

According to the chain's spokesman, The Works test site in a store in Virginia has been closed.

He stressed that any trial arrangement with Dunkin' Donuts, a Randolph, Mass.-based doughnut-and-sandwich chain, would be much different from the Hardee's and Church's tests.

"That's more of a 'sell-through' program," said the spokesman, explaining that the doughnuts would be merely sold, not baked, in the 7-Eleven test sites.

Unlike Hardee's branded products, the doughnuts complement rather than compete with 7-Eleven's microwavable offerings, which include hamburgers, hot dogs, sandwiches, and such Mexican finger foods as nachos and burritos.

The spokesman declined to say how many 7-Elevens are currently selling doughnuts supplied by the La Mirada, Calif.-based Winchell's chain.

The Works Condiments Bar features 12 to 15 fresh toppings, which vary regionally.

"It could have jalapeños or whatever's popular in that area," the spokesman said.

**The former The Works test unit in Virginia.**

# Minneapolis fare gets fancier

(Continued from page 1)
Italian restaurants in larger cities.

Seeing the market as an outsider, Stephen Pyles, who has gained national recognition for his creative Southwestern cuisine, said he expects initial resistance to Goodfellow's and Tejas, which are modeled after Routh Street and Baby Routh, respectively.

Pyles' partner, John Dayton, a Minneapolis native who hails from the Dayton's department store family and whose brother developed the luxury retail complex that houses the new $2.5 million restaurants, views his birthplace as "a sophisticated town, culturally and socially."

"The public still looks at Minneapolis as a cow town, but for its size, I think it's more sophisticated than any other city in the country," according to D'Amico, who has watched its sophistication level evolve since he moved here 11 years ago from Cleveland.

The city's culinary habits have long since expanded beyond steak and potatoes, D'Amico said, as witnessed by the many varied restaurants that have opened within the past decade. The D'Amico brothers also operate locally acclaimed Primavera.

Now that the market has experienced a plethora of cuisines, mainly in mom-and-pop ethnic restaurants, he believes it is ready for a higher standard of serious cooking.

Many of his customers already know quite a bit about wine, he pointed out, a fact that is attested to by the amount he sells from his all-Italian list. Sales average a bottle per table.

Pyles, though, is concerned about competing in a market accustomed to the very casual cafes that proliferate here. While such restaurants do not share the fine-dining scale of Goodfellow's, he believes they have set a style that the market likes and expects.

Goodfellow's customers so far are spending an average of $15 for lunch and $38 for dinner. While those prices are at the upper end in Minneapolis, where its regional magazine ranks restaurant meals that cost more than $20 without liquor, tax, and tip as very expensive, they are lower than Pyles expected. Dinner check averages at Routh Street are $76.

Larry D'Amico, the chef partner of D'Amico Cucina, shares Pyles' standards.

Richard D'Amico described a recent customer who was not familiar with this type of Italian restaurant. "Someone complained there wasn't spaghetti and meatballs on the menu. He also complained it was too expensive [his check was $19 for two], and then he asked if we would validate his parking."

Most restaurateurs are "terrorized to charge over $20 for an entrée," D'Amico said, even though a significant part of the market can afford to pay such prices. "They are willing to spend more when they're out of town," he noted.

His check averages are running $16 for lunch and $34 for dinner. D'Amico said he fears some customers may compare his restaurant with other local Italian ones that serve simpler fare and conclude his prices are too high.

*Now that the market has experienced a plethora of cuisines, mainly in mom-and-pop ethnic restaurants, D'Amico believes Minneapolis is ready for a higher standard of serious cooking.*

Sue Zelickson, local restaurant consultant and food writer, agreed with D'Amico's assessment of the market and noted that other fine-dining restaurants in town had failed to win acceptance because of their higher prices. "Hopefully, that will change as people realize you have to pay more for good food," she said.

While prices at Tejas ($8 to $10 for lunch and $12 to $15 for dinner) are more in line with market expectations, many menu items are not. "There are a lot of ingredients on this menu that most people have never heard of," Pyles said.

It's likely that local residents recognize some of the menu's language from their dining experiences in Mexican restaurants. But some of Pyles' ingredients and combinations may mystify them; for example, guajillo chile pancake with grilled rabbit and smoked corn cream or Southwestern chowder with shellfish and cascabel chile aioli.

Pyles has modified Goodfellow's Southwestern influence to include more familiar Midwestern ingredients. For example, the first entrée listing on a recent night was walleye pike with potato salad.

Initial reaction to Tejas and Goodfellow's has been "phenomenal," according to Dayton, who attributes part of the enthusiasm to curiosity about the glamorous retailing location in the posh Conservatory on Nicollet.

Opening business at D'Amico Cucina has been inconsistent, except for busy weekend nights, D'Amico said. Lunches, especially, have been off, perhaps because the restaurant is on the edge of the central business district.

The downtown locations of all three operations in a suburban-oriented market may hurt them, according to Peter Lilienthal, restaurant reviewer for Minneapolis-St. Paul magazine. "No new freestanding restaurants that I know of have opened downtown and made it," he said. "They all just sort of come and go."

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Vol. 21, No. 48 November 23, 1987

# NRA releases 1988 forecast

(Continued from page 1)
the economic uncertainties, he added, "Of course, caution is necessary."

The NRA's forecast of real sales growth—the eighth consecutive yearly increase—nearly equals the government's projections of 2.8 percent overall growth in the Gross National Product and a 2.7-percent increase in real disposable personal income.

"This is good news for the restaurant industry," Grisanti said of the government's projections.

Economists link restaurant sales to changes in disposable personal income because dining out is a discretionary expense.

In addition, the unemployment rate is projected at 6 percent, its lowest level since 1979.

Other important factors in the NRA's optimistic view for 1988 include lower taxes for businesses and individuals and the promise of lower interest rates.

Restaurateurs and hoteliers could also take hope from the NRA's projection of a 4-percent increase in visits to the United States by foreigners, to 24 million. The trade group forecasts 4.5-percent real sales growth for hotel restaurants.

At the NRA's press conference, representatives of three major segments of the industry—fast-food, full-service, and contract feeding—discussed specific projections for their areas.

According to the NRA, fast feeders will outperform all other restaurants in sales growth except for those in hotels. The organization projected an 8.5-percent increase in fast-food sales, to more than $60 billion, for real growth of 4.3 percent.

Jim Peterson, vice president of the NRA and chief executive of Whataburger, said "changing consumer demographics and lifestyles" would fuel the rise in fast-food sales. He specifically mentioned consumers' growing desire for greater convenience and an increase in the number of children.

He also said chains could seize opportunities to boost sales at breakfast. "After several years of dramatic growth," he explained, "the breakfast market fell flat in 1986, posting a 1.9-percent decline in total customer count."

Mid- and upscale restaurants should ring up $70.6 billion in sales, for a real gain of 2.5 percent, said Grisanti, chief executive of an Italian dinner house chain that bears his name. Trends in that segment include greater interest in take-out, nutrition, and ethnic foods.

Many full-service restaurants have been hurt by the decline in liquor consumption brought on by health and safety concerns. But Grisanti stated the "decline in booze had bottomed out."

For the contract-feeding segment, the NRA projected a 7.2-percent increase in sales, to $11.5 billion, for real growth of 2.9 percent.

Bud Rusitzky, treasurer of the NRA and chief executive of the contract caterer Serv-Rite, said food service in commercial and office buildings would be one of the biggest gainers next year—a real growth of 4.8 percent—because of a burgeoning service economy.

Manufacturing and industrial accounts, however, would show slower growth—1.4 percent—than the average, he said, because of declines in blue-collar industries.

Schools and colleges that operate their own food service are likely to suffer negative real sales growth because of declines in the student population. But outside contractors in educational facilities should enjoy real sales gains, Rusitzky said, because of better cost savings and "accelerated merchandising to students."

Labor costs for the entire food-service industry are expected to rise 4 percent in 1988, compared with an estimated 3.6-percent rise this year. Any hike in the federal minimum wage would probably not affect sales in 1988.

# *Weak dollar to boost foreign tourism in '88*

**By Paul Frumkin**

NEW YORK — Aided by a slipping dollar, foreign tourism in this country climbed sharply in 1987 and is expected to continue to grow throughout 1988, according to the U.S. Travel and Tourism Administration.

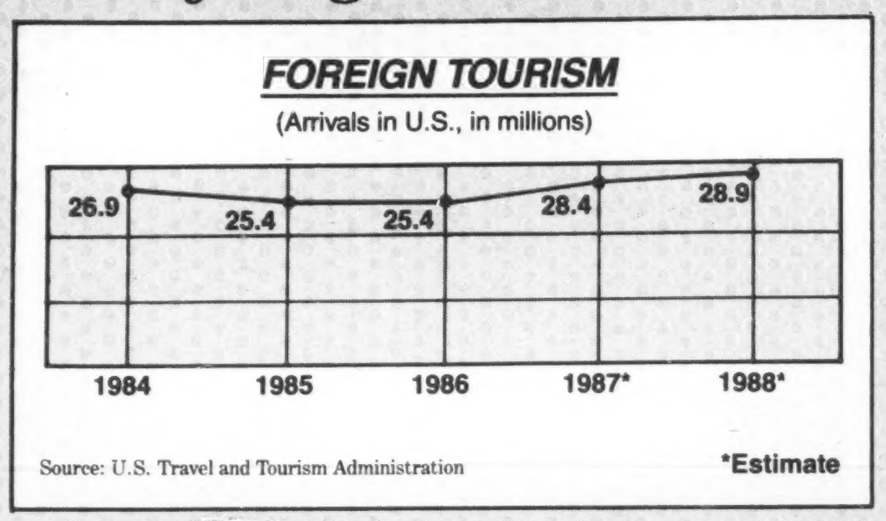
Don Wynegar, director of the Office of Research for the Department of Commerce, said a weakened U.S. dollar drove 1987 foreign arrivals up to an estimated 28.4 billion, an increase of 12 percent over last year's figure.

Expenditures were up 19 percent in 1987, to $19 billion, he said at a press conference staged in conjunction with the International Hotel/ Motel & Restaurant Show here.

Wynegar said further weakening of the dollar, caused largely by the recent market crash, should continue to boost foreign tourism in 1988 to 29 billion, up 2 percent over the amount in 1987.

He also cited other factors that could contribute to an increase, including the potential deregulation of European air carriers, low-cost trans-Atlantic and trans-Pacific air fares, and increased U.S. promotion abroad.

At the same time, Wynegar noted that the weakened dollar didn't keep Americans at home this year. The number of U.S. citizens traveling abroad increased 8 percent in 1987, to an estimated total of 40.5 million.




# Max takes Florida by storm

(Continued from page 1)
fruits, vegetables, and herbs.

Though popular now, the Southern California-style menu at Cafe Max was not an instant hit when the restaurant opened in 1984. Floridians "had no idea" at first what kind of food was being served, Max recalled.

"Only people who traveled a lot knew of this kind of approach," said the former Victoria Station regional manager and co-founder of the Raffles Bar & Grill chain. Cafe Max was one of the first places in Florida to offer mesquite grilling, wine by the glass, and light sauces, Max added.

Daily main-plate specials at the 100-seat Cafe Max, which grosses about $2 million annually serving only dinner, may include a roasted, Canadian-raised guinea fowl—known in France as *pintade*—and fish from local waters not usually found on restaurant menus: triggerfish, wahoo, amberjack, hog snapper, mangrove snapper, and mutton snapper.

Militello said he enjoys the quality and variety of Florida farm products raised and distributed by mom-and-pop entrepreneurs.

He buys fresh hearts of palm from an Indian reservation in Okeechobee, exotic fruits—including red bananas and rare varieties of mangoes and avocados—from a young couple in Homestead, Fla., and French mulberries, herbs, and baby red Swiss chard from another area farm. Farm-raised soft-shell crabs are available to him year-round.

The presence of immigrants from the Caribbean Islands and South America in Florida exerts a strong effect on the types of dishes served at Cafe Max and Max's Place, proprietor Max said. So does Max's and Militello's long-standing admiration for Alice Waters, Jeremiah Tower, and Wolfgang Puck—pioneering California chefs who helped define New American cuisine.

Militello prefers oak and seasoned wood for grilling. At Cafe Max grilled items include swordfish with sun-dried tomato vinaigrette; veal chop with mustard and thyme sauce; and wild-rice custard and chile-rubbed baby hen with corn, tomato, sweet pepper, and purple basil.

At both Cafe Max and the 100-seat, dinner-only Max's Place in North Miami, the menus reflect a wide range of influences.

Dishes at Max's Place include Southwestern chipotle-smoked salmon with yellow tomatoes, cilantro, and scallion sour cream; ravioli filled with grilled eggplant and goat cheese; pizzas cooked in a Tuscan oak-burning oven; grilled Gulf prawns with grilled vegetables and a fresh herb marinade; and crispy marinated roasted duck with ginger, honey, and Oriental vegetables.

Some dishes appear on the menus at both places, including many of the grilled fish items, which are served whole.

"Initially, people were taken aback by the whole fish, but it really caught on," the chef declared. Dennis Max said fresh fish served whole has become something of a signature dish at Cafe Max and Max's Place.

Maxaluna Tuscan Grill, Max's year-old Italian restaurant in Boca Raton, features food from Tuscany and Florence. The broad menu is divided into six sections—antipasti, pasta, risotto, salads, chicken and meat, and fish—with most main courses priced from $11.50 to $21.50.

Militello, who has Italian ancestors, said he has always wanted to do an Italian restaurant. "I usually found that Italian food in the United States was poorly done and misrepresented," he said.

Before Maxaluna opened, he traveled to Italy to research menu items. Among the offerings at the restaurant: oak-grilled baby hen with steamed escarole, pine nuts, raisins, chopped olives, and sun-dried tomatoes; spit-roasted leg of veal with a sauce of three wild mushrooms and two quails roasted with savoy cabbage, radicchio, golden raisins, pancetta, and port wine sauce.

Pasta for all three Max-owned restaurants is produced at Maxaluna on state-of-the-art pasta-making equipment—a special sheeter and a new pasta extruder, the latter equipped with a mechanism that forces cold water through the head so the pasta comes out cold and smooth. A common complaint about pasta extruders has been that they get hot during production and partially cook the dough, Militello explained.

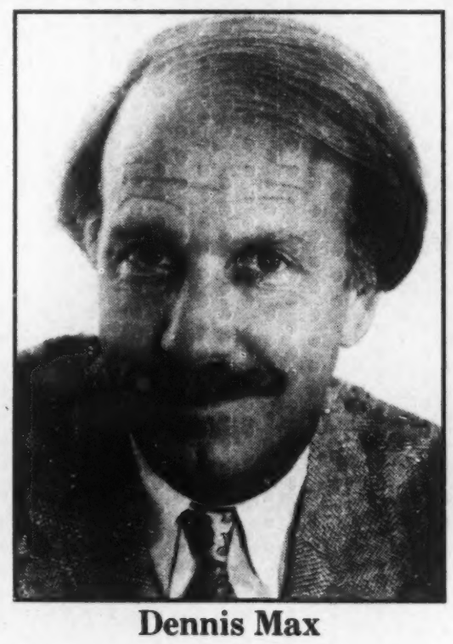
Maxaluna, Max's top-grossing restaurant—sales this year will exceed $3 million—has earned widespread praise for Max and Militello. The place was included in Esquire magazine's annual list of the 50 best new bars and restaurants in the United States. The Miami Herald said Max and Militello are emerging as "premier South Florida restaurateurs" with their "remarkable, daring, fresh approaches."

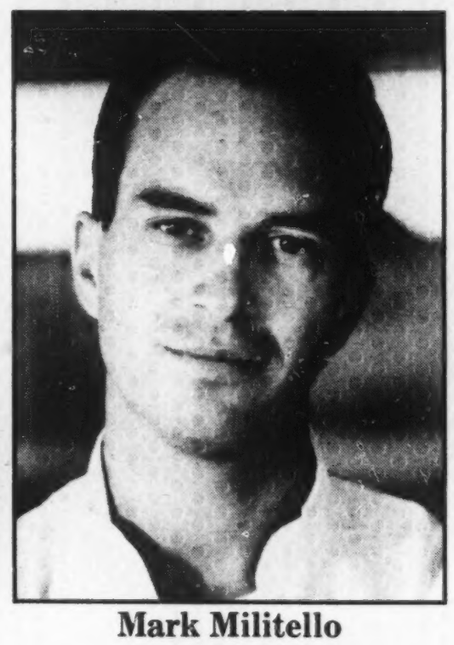
Militello, who was raised in Amherst, N.Y., and received a degree at Florida International University's School of Hotel and Restaurant Management, is building a nationwide reputation. He participated earlier this year in a prestigious California seminar called "Rising Stars and Great Chefs in America" and was the first non-California chef to prepare the Phelps Winery Dinner.

The chef said he tries to spend a week at a time at each restaurant in his capacity as Max's executive chef. Oliver Saucy is the on-premises chef at Cafe Max, Elliot King heads the kitchen at Max's Place, and Charles Saunders is chef at Maxaluna.

Max and Militello met in Florida, but Max was raised and educated in Southern California. He was a banker and stock broker before joining the old Victoria Station chain in 1973, and he rose to Southeastern regional manager in charge of about two dozen restaurants. He co-founded Creative Restaurants in 1979 and launched the Raffles Bar & Grill chain in Florida, eventually selling it.

The partners said they have in the works a fourth venture that will open next August.


**Dennis Max**


**Mark Militello**

*Florida's immigrants exert a strong effect on the types of dishes served at Cafe Max and Max's Place.*

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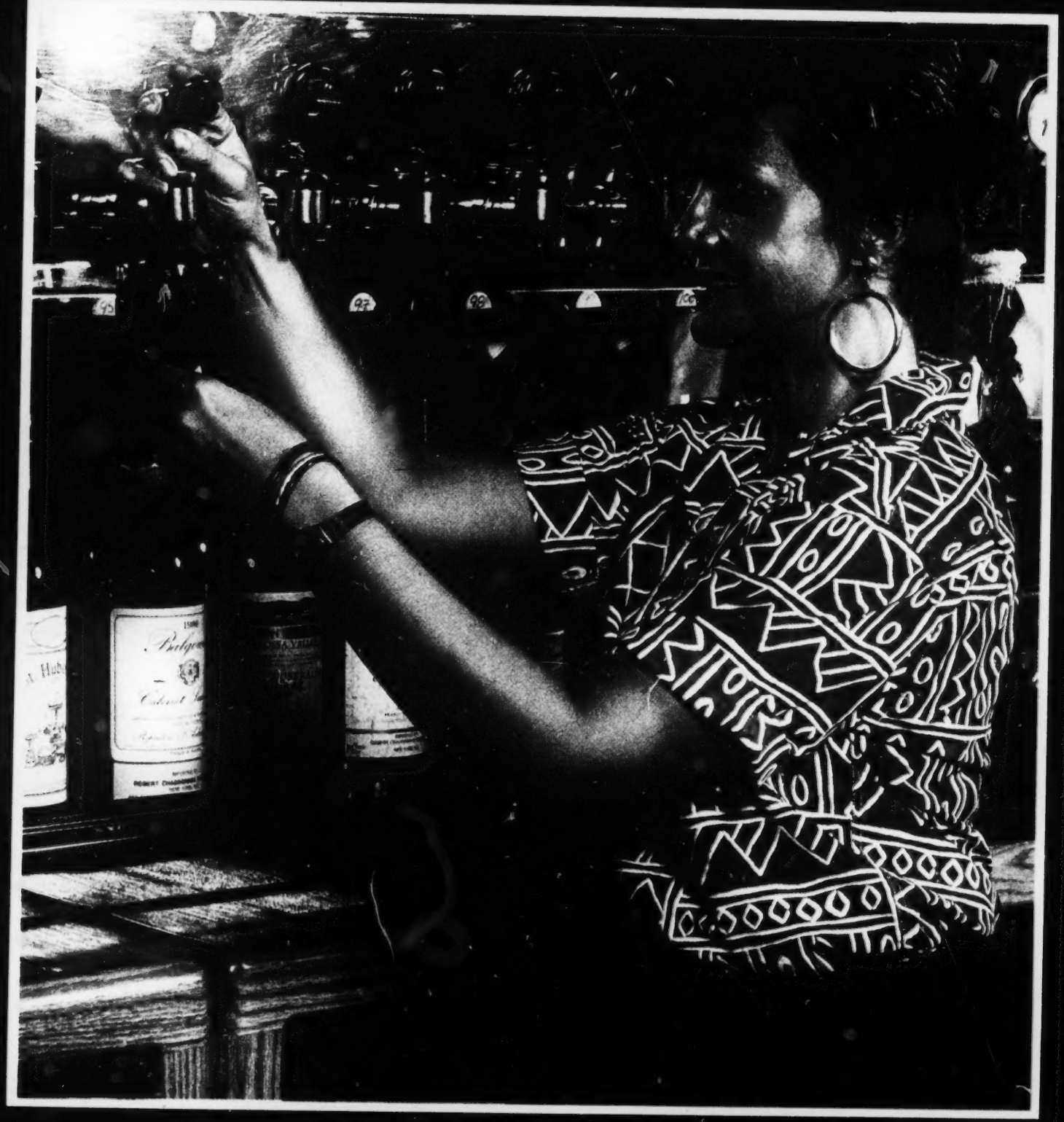
# NRA STUDY SURPRISE:

# BAR MANAGEMENT



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PRODUCTS

EQUIPMENT

# TRENDS

## A snapshot of today's beer drinker

The latest National Restaurant Association study shows that men order and drink bottled and draft beer more than women. But the gap is narrowing when it comes to light brews. The NRA survey of 1,200 consumers also concludes that beer is still the strong preference of younger age-groups. Nearly 8-in-10 (79 percent) of today's 18-24 year-

### How we drink beer in restaurants today

| Type | Total | Men | Women |
|---|---|---|---|
| Bottles | 68% | 81% | 53% |
| Draft/glass | 62 | 73 | 48 |
| Domestic/reg | 62 | 76 | 46 |
| Light | 50 | 52 | 48 |
| Import/reg | 47 | 56 | 37 |
| Draft/pitcher | 40 | 49 | 30 |

Source: National Restaurant Association Beverage Preferences study, 1987

olds drink bottled beer vs. 69 percent of 25-44 year-olds and 60 percent of those over 45. Younger drinkers also quaff nearly twice as much imported beer—at a 67 percent rate among 18-24 year-olds compared to 35 percent by ages 45 and up. Another tip: Only 1-in-4 (24 percent) older patrons order pitchers vs. 53 percent of all 18-24 year-olds.

## Sizing up the market for canned beverages

| Year | Beer (in millions of cans) | Soft drink |
|---|---|---|
| 1982 | 31.7 | 26.2 |
| 1983 | 33.1 | 28.3 |
| 1984 | 34.4 | 30.4 |
| 1985 | 35.7 | 34.5 |
| 1986 | 36.1 | 36.8 |

Source: *Beverage World*

Last year, canned soft drink sales outpaced beer volume for the first time. Overall, canned beer and soft drink volume jumped 3.8 percent to 72.9 million cans, according to *Beverage World*. Beer-by-the-can sales inched up 1.2 percent and soft drink cans shot up 6.6 percent for the year.

## Color the drinking trend . . . darker now

Americans may be leaning back again toward darker, fuller-bodied beverages—more red wine, amber and dark beers and maybe even darker liquors. Tom Pirko, president of Bevmark, a Los Angeles consulting firm, suggests dark beers will be at the top of the growth charts, in fact. Guinness dark, for example, could become the chic beverage of the day, he predicts. So far, Guinness sales are up 12 percent over 1986 while overall beer volume is rising at about 2 percent.

## A new king of the hill in wine cooler sales?

Looks that way. According to the latest research by New York-based National Brand Scanning, Seagram's Wine Coolers have taken the No. 1 spot away from Gallo's Bartles & Jaymes in the $1.7 million wine cooler category. Wine cooler sales jumped 72 percent last year to 72.4 million cases, according to Impact research data. Seagram outpaced the competition with a 133 percent gain to 9.3 million cases vs. B&J's 127 percent gain to 17 million cases. Credit Seagram's $25 million ad campaign and Bruce Willis' offbeat TV and print image aimed at the older 25-49 year-olds for even bigger market share gains this year, says executive vice president for marketing for Seagram Beverage Co., Mark Taxel. The unofficial tally: Seagram in first place by a nose with a projected 31 percent market share, followed closely by Bartles & Jaymes and Brown-Forman's California Cooler.

## How customers rate brands and prices

| Category | Brand loyal | Fair price |
|---|---|---|
| Soft drinks | 74% | 60% |
| Beer | 77 | 62 |
| Wine | * | 55 |
| Mixed drinks | 56 | 42 |

Source: National Restaurant Association
*Majority request by type, not brand

The majority of Americans are loyal to the beer and soft drink brands they buy and think they're fairly priced, according to the latest National Restaurant Association survey, *Beverage Preferences*, released in June. But, it seems, they're not nearly as high on wine and mixed-drink pricing policies.

## This study proves it: The rich drink more

Young & Rubicam, the ad agency people, confirmed it in their study of 2,000 Americans recently. They found: 36 million, or 1-of-5 of us, qualify as "affluents," defined by family incomes of $50,000 or more yearly. And they consume alcohol at a 20 to 30 percent higher rate than the general population, drinking beer on a par with the national population and consume diet sodas at nearly twice the current norm.

# TRENDS

## Wine consumption— how do we compare?

Last year Americans consumed 1.94 gallons of wine per capita vs. 24.14 gallons of beer. As wine drinkers, we're still novices compared to other nations. In Portugal, per-capita wine consumption is 23 gallons, compared to 22.4 gallons in Italy, 21.1 gallons by the French and 12.7 gallons in Spain, according to Impact research. Australians, on the other hand, drink approximately 3 gallons of wine a year.

## Marking up your wine-by-glass prices

Most industry experts say the profit for house wine should be roughly two to three times cost. New York City's well-known Aurora restaurant serves six bottles to by-the-glass customers on a silver tray, as an "extra touch of class," says general manager Ray Wellington. "Our diners currently can choose a top quality Sancerre; an '85 Côtes du Rhone; an '84 Simi Cabernet Sauvignon; or '85 Sonoma-Cutret Chardonnay at $4 to $6.50 a glass." He gets four glasses to a bottle and considers the markup reasonable. "We always offer a choice of two reds, two whites, a Sauternes and a champagne. And we change them frequently," he adds. Aurora flatly refuses to sell well-brand wines for by-the-glass customers.

## The top 10 brands in the world today

| Rank | Company | 1986 sales (in $ thousands) |
|---|---|---|
| 1 | Coca-Cola | $7,295,000 |
| 2 | Anheuser-Busch | 6,390,000 |
| 3 | Philip Morris* | 3,929,000 |
| 4 | PepsiCo | 3,583,400 |
| 5 | The Seagram Co. | 3,344,820 |
| 6 | Guinness PLC | 3,266,520 |
| 7 | Grand Metro. PLC | 2,787,000 |
| 8 | Coca-Cola Enterprises** | 1,951,008 |
| 9 | Whitbread & Co. PLC | 1,769,202 |
| 10 | Stroh Brewery Co. | 1,500,000 |

*Includes Miller, Lowenbrau and Meister Brau
**Includes Dr Pepper, A&W, Canada Dry and Sunkist

In the global battles for consumer spending across all beverage categories, four of the top 10 brands marketed and distributed in the U.S. today come from overseas suppliers, according to the latest study by *Beverage World*.

## Beverage ad spending still on the way up

Last year the nation's top beverage makers spent more than the year before and increased advertising outlays at a higher rate than most of the top marketers of consumer products in the nation, according to a study by *AdWeek*. PepsiCo led the pack by pushing ad budgets from $546.4 million to $688.7 million for a 26 percent gain, while rival Coca-Cola increased its outlays just 7.1 percent from $605.6 million to $648.7 million. In the beer wars, Anheuser-Busch spent 23.2 percent more, up from $315 million to $388 million, while Adolph Coors boosted ad spending 9.1 percent, to $180 million from $165 million the year before.

## Decorated drinks: The Yuppies are at it again

The hot fad of summer '87 in New York City bars and lounges was the novelty decorated drink, with such exotic names as "The Blue Whale," "Pink Elephant"

and "Mermaid." They sold in the $3.50-to-$6 range and became the rage of Yuppies as "collectibles," bar operators around the city report. Drinks decked out with plastic and inflatable umbrellas, miniature Gumbys, whales and mermaids have two advantages, say those who promoted them: (1) They're good conversation starters and (2) they've become fashion items with Yuppie women . . . as hair accessories. Nobody's predicting a national trend . . . but decorated novelty drinks are expected to make a comeback in New York City bars again this summer and spread to other northern cities.

## California: No. 1 soft drink market

California is the leading soft drink market in the nation with sales of nearly $1 billion. No. 2 in soda consumption is on the other side of the country: New York, with $850 million sales, according to Beverage Marketing Corp. of New York.

### How beverages grow

| | Annual growth rate | National market share |
|---|---|---|
| Soft drinks | 6.5% | 24.9% |
| Beer | 0.2 | 13.0 |
| Milk | 1.6 | 11.0 |
| Fruit drinks | 2.3 | 7.5 |
| Bottled water | 13.5 | 2.8 |
| Wine | 4.2 | 3.1 |
| Spirits | – 3.0 | 1.0 |
| Wine coolers | 185.0 | 0.2 |

Source: Beverage Marketing Corp. 1985 data

# NRA INDUSTRY STUDY FINDS: SPIRITS NOSING UP AGAIN

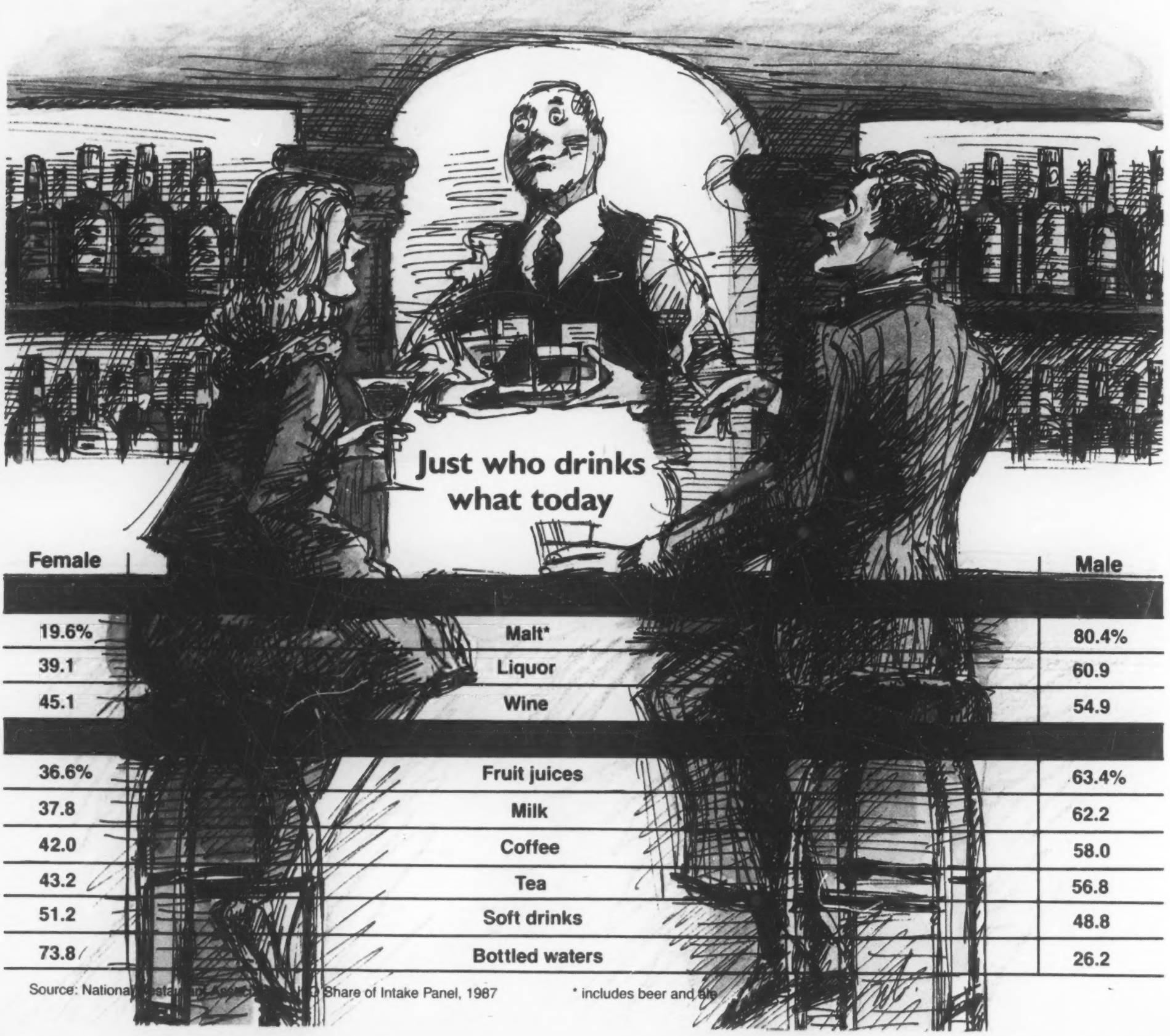
**Survey shows a 5 percent pickup for alcoholic beverages at table service restaurants, 1984-1986 . . . and spots vital new clues in drinking patterns.**

There are growing signs around the industry that the decline in alcoholic beverage consumption in the U.S. has finally bottomed out.

According to a new survey released by the National Restaurant Association this summer, alcoholic beverage consumption actually *increased* at table service restaurants by 5 percent from 1984 to 1986—compared to a 20 percent decrease from 1980 to 1984.

The second National Restaurant Association Beverage Preferences study, conducted by Market Facts, also found:

- Nearly three of every four customers order soft drinks at fast-food outlets today (74 percent). Soft drinks also dominate table-service restaurant business with a 44 percent share, followed by coffee (37 percent), tea (29 percent) and alcoholic beverages (28 percent).
- Men consume more than 50 percent of all volume in eight of 10 beverage categories: 80 percent of all beer and malts beverages, 63 percent of fruit juices and 61 percent of liquor. Women account for 74 percent of all bottled-water consumption and edge out men 51 percent to 49 percent in soft drinks.
- Since 1980, the sheer number of customers who order bottled water has quadrupled in restaurants, although total volume still measures

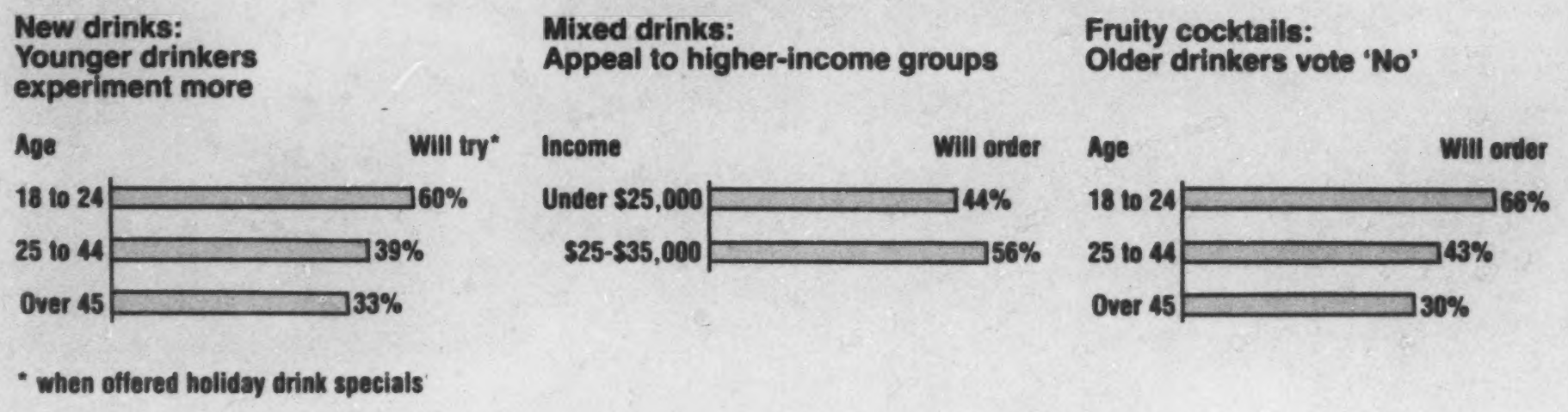


## Just who drinks what today

| Female | | Male |
|---|---|---|
| 19.6% | Malt* | 80.4% |
| 39.1 | Liquor | 60.9 |
| 45.1 | Wine | 54.9 |
| 36.6% | Fruit juices | 63.4% |
| 37.8 | Milk | 62.2 |
| 42.0 | Coffee | 58.0 |
| 43.2 | Tea | 56.8 |
| 51.2 | Soft drinks | 48.8 |
| 73.8 | Bottled waters | 26.2 |

Source: National Restaurant Association Share of Intake Panel, 1987 * includes beer and ale

## Why drinking patterns are changing




Source: National Restaurant Association Beverages Preferences Study, June 1987

less than the 1 percent of all beverages consumed away from home.

• One in five of all restaurant patrons (22 percent) say they would order nonalcoholic cocktails if they're available. But fewer give the nod to nonalcoholic wine (17 percent) or beer (13 percent), according to NRA findings. Women are twice as likely to call for nonalcoholic beverages. Yet customers 45 and older are less apt to buy nonalcoholic drinks of any kind.

Last year, Americans drank 1.9 million gallons of beverages away from home, the NRA survey estimates. Fast-food restaurants accounted for more than 31 percent of total gallonage; table service restaurants, 52 percent; bars and clubs, the remaining 17 percent.

Overall, Americans drank 1.5 percent more of all types of beverages away from home since 1980, NRA research indicates. Over that span, restaurants, bars and clubs increased beverage output 3 percent, while fast-food usage dipped 1.5 percent.

Drinking patterns for alcoholic beverages were mixed and spotty over the past seven years, as expected. The NRA found that beer volume dropped 27 percent overall since 1980, but came back with a 10 percent gain from 1984 to 1986. Wine dipped 6 percent between 1980 and 1982, but has been holding at or near 1982 levels for the past four years.

**A major reason** behind the general fall-off of liquor over this period, NRA studies suggest, is that fewer men over 35 and fewer women of all ages are ordering liquor in restaurants. That trend now seems to have leveled off and stabilized.

A new clue to changing male drinking habits may be found in their strong performances for fruit juices, some experts point out. As more fruit-flavored alcoholic drinks and mixed concoctions, which use schnapps and liqueurs, gain popularity, men are more inclined to make the switch to sweeter-tasting and citrus mixtures or straight-ups.

The latest NRA study also illustrates the vital importance of measuring customer demographics and preferences to spot taste changes and emerging trend shifts.

As the study shows, the income level of patrons relates directly to how many mixed drinks you'll sell. Tastes are changing, too: Today, according to NRA findings, 38 percent of all diners order after-dinner cocktails. And, new fruity cocktails and mixtures definitely appeal more to younger customers than to older patrons.

Another clear finding is that more than one of every three diners are drinking less when they're out. Thirty-four percent say so, rising to 37 percent in the over 45-year-old category. And their reasons are pretty cut and dried: 38 percent say they just don't enjoy it as much anymore, 20 percent stopped for health reasons and 17 percent because of drunk-driving laws. Twelve percent simply think prices have gotten too high.

**Wine-drinking,** on the other hand, is still on the rise at restaurants around the nation, according to NRA findings. Nearly 7 of 10 (66 percent) will order by the glass, compared to 50 percent who'll order by the carafe and 45 percent by the bottle.

## Study uncovers a market for 'mocktails'

According to the NRA Beverage Preferences Study, 22 percent of all respondents in the sample group say they would order a nonalcoholic cocktail at a restaurant today, if it were to be offered.

"The major market for nonalcoholic cocktails appears to be among 18-to-24-year-olds," the study suggests. And 36 percent of them say they would order "mocktails," nonalcoholic cocktails.

The developing market for mocktails and nonalcoholic wines and beer is the same as it is for alcoholic beverages, NRA points out. But, women are twice as likely to order them as men.

Some tips from NRA focus groups about merchandising nonalcoholic drinks include:

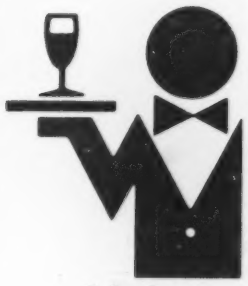
• Make them "indistinguishable" from other alcoholic drinks. Don't use different glasses or put straws in them to set them apart. Your customer wants to blend in, not stand out.

• Price them lower than regular cocktails. Fully 83 percent of those polled, and almost 90 percent of all 18-to-24-year-olds agree.

• Promote them on your bar menu and make sure servers "talk up" nonalcoholic versions of popular cocktails that are available. Promote them on your menu prominently, too. And consider special discounts from time to time.

# COGNACS AND BRANDIES ARE REACHING OUT TO THE MASSES

**Major chains are expanding selections to stir up after-dinner and late night bar sales. They're pouring hefty profits at $8 to $25 a glass, too.**



Over the past five years, fine cognacs and popular brandies have begun to make themselves comfortable in a growing number of chain outlets around the country.

One big reason: America's masses are developing sharper and finer-tuned drinking palates, the experts report.

Another: Major suppliers are targeting major chains like T.G.I. Friday's, Bennigan's, Houlihan's and Steak & Ale with aggressive popular-priced cognac and brandy promotions that promise to deliver extra volume and profits almost overnight.

Just this past summer, Friday's listed a spirit on its menu for the first time . . . cognac. It's served bistro-style, combining a jumbo mug of hot coffee with a sidecar of cognac on a special tray.

Last October the chain sold 68,000 glasses of cognac with the program at an average of $8.50 apiece. "The idea is to educate the consumer that there's more to cultured drinking than just wine by the glass or mixed drinks," says a Friday's spokesman.

"And, these drinks are highly profitable."

As a group, brandies cognacs and armagnacs have been posting steady sales gains, while most alcohol categories are in decline, top operators and suppliers report.

Says Hennessy's Hank Evans: "Last year, we sold 700,000 cases of cognac in the United States. What we really saw recently was a drop-off of the small-sized bottle category in retail stores. But if you take out these sizes, cognac business is really very healthy and robust in the on-premise side of the market."

Volume is climbing fastest in the on-premise market.

***Brandy market share* is holding steady against industry downturns . . .***

| 1976 | 1985 | 1986 |
|---|---|---|
| 3.9 | 4.8 | 4.8 |

* of all alcoholic beverages in volume
Source: Clark Gavin Associates

***. . . and growth figures* to run ahead through the 1990s . . .***

| 1975-80 | 1980-85 | 1985-90 |
|---|---|---|
| +5.9% | +2.4% | +2.4% |

* in volume

**Total spirits**

| | | |
|---|---|---|
| +0.2% | -1.2% | -1.3% |

Source: Impact Databank, 1986

This year, brandy sales should near 20 million gallons, which is just about where they were in 1976 when all spirits volume started to evaporate.

More important, future growth prospects look even better. Most projections expect brandies and cognacs to run ahead of most other alcohol beverage categories over the next two to three years.

Chain outlets, as a result, are learning what fine dining restaurants have known for many years: Once you learn how to step your customer up to the top marks in brandy or cognac, you can rake in a bundle of profit dollars.

"Take cognac," says Hennessy's Evans. "We recommend to our restaurant customers that they offer three different snifters of VSOP and XO at a $13.95 package price. The aim is to encourage testing and tasting by small dinner parties, as a way to top off a meal or a night out together."

And the pricing-up trend is gaining strength, industry sources report. Typically, that means XO cognacs priced at $4 move into the $5 range with ease, XOP priced at $8 slides to a $10 top and cognacs priced at $10 rise to $15.

But, it's critical to know how much give and take there is among different labels and vintages. At Detroit's London Chop House, for example, a glass of Hennessy VS costs $4.50, VSOP is $5.75, XO jumps to $20 and Hennessy Paradiso a whopping $25.50.

Remy Martin VSOP starts at $6.50, Centaure Napoleon at $10.50 and Centaure XO tops off at $25.50.

At the top of the wine list is a Lafite Rothschild at $50.50.

**Some bars are selling cognac with aged statements for the first time.**

Besides pricing, presentation is another vital ingredient to successfully promoting brandies and cognacs, operators are quick to point out.

"If you want to be class, you must pour cognac into the traditional cognac tasting glass, a small tulip-shaped glass with a short stem that's beveled at the top," says Madelline Triffon, the sommelier at the London Chop House.

Brandy snifters are even more important to properly merchandising the bouquets and perfumes of the drink, experts say.

In a word: You need the right glasses to make an impression as a legitimate server of fine cognacs and brandies today.

Several new developments also bode well for ongoing growth in the brandy/cognac category, according to industry expert Harriet Lembeck in New York.

Among the trends which are currently appearing:

- "Armagnacs are coming on strong as an alternative after-dinner drink," she says. "Recently, they were allowed to be vintage-dated, meaning an older vintage can be priced at $60 to $80 a bottle, similar to some fine cognacs."
- And, there's a mini-trend budding in white alcohol fruit brandies that are chilled and drunk neat, Lembeck adds. They tend to taste "sweet and intense" and offer fatter than normal margins to operators, she says.
- This year, cognacs with aged statements hit the market for the first time, Lembeck reports. Among them, a 20-year-old single-vintage cognac from Prunier. It was launched in the United States in October at a suggested price of $45 a bottle.

## Brand/suppliers quick-reference list

| BRAND | SUPPLIER |
|---|---|
| Aristocrat | Heaven Hill |
| Arrow | Heublein |
| Asbach Uralt | Asbach |
| Bardinet | Park Bensiger |
| Barton | Barton |
| Buton XO | Paterno |
| Calvados Boulard | McKesson |
| Calvados Montgomery | Regal |
| Calvados Montgommery | Benedictine Marketing |
| Charme Napolean | Bederal |
| Cheverny | Beam |
| Christian Bros. | Christian Bros. |
| Couquerel Calvados | Sherman |
| Coronet | Schenley |
| Coronet VSQ | Berke |
| Deville | Somerset |
| Dujardin | Carradale |
| E&J Brandy | E&J Gallo |
| Hiram Walker Brandies | Hiram Walker |
| Jean Robert | Berke |
| Korbel Brandy | Brown-Forman |
| Laird's Applejack | Laird |
| Legenore Brandy | Sazerac |
| Lejon | ISC |
| Leroux Brandy | Summit Sales |
| Marques de Domecq | Domecq |
| Maxine | Ancient Age |
| McCormick Brandy | McCormick |
| Mohawk Flavored Brandies | Mohawk |
| Montgommery Calvados | Buckingham Wile |
| Mr. Boston Brandies | Glenmore |
| Presidente | Domecq |
| Raynal | Shaw-Ross |
| RMS California Brandy | Premiere |
| Rothschild Brandy | Paramount |
| Royal Stock | Disusa |
| Stock 84 | Disusa |
| St. Maurice | Potter |
| St. Remy VSOP | Sherman |
| Azteca de Oro | Domecq |
| Don Pedro | Domecq |
| E.S.T. | Consolidated |
| Ansac | Heaven Hill |
| Bisquit | Heublein |
| Camus | Barton |
| Chateau de Brive | Deinhard |
| Cognac Prunier | Deinhard |
| Cognac Rothschild | Paramount |
| Comandon | Buckingham Wile |
| Courvoisier | W.A. Taylor |
| Delamain | Buckingham Wile |
| Denis Mounie | Park Benziger |
| Hennessy | Schieffelin |
| Lautrec | Consolidated |
| Marnier Lapostolle | Carillon |
| Martell | Brown-Forman |
| Merlin | Shaw-Ross |
| Mumm VSOP | Seagram (375) |
| Prince Hubert | Sazerac |
| Remy Martin | Premiere |
| Renault Carte Noire | Tower |
| Royal Montaine | Jacquin |
| R&B Lanxner | Kedem |
| Salignac | Maidstone |
| Brillat Savarin | Asbach |
| Cles des Ducs | Domecq |
| Cles des Ducs | Cointreau America |
| Janneau Armagnac | Sazerac |
| Larressingle | Kobrand |
| Marnier Lapostolle | Carillon |
| Sempe | Benedictine Marketing |
| Sempe | Regal |

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NRN Photo

**Andrea Carta, of Scott's Seafoods, serves the homeless at the Central City Hospitality House in San Francisco.**

## Good cheer: Restaurants rally to feed nation's needy

**By Carolyn Walkup**

With another holiday season fattening the bank accounts of restaurant operators, more and more of them are giving something back to their communities at a time of increasing need.

From coast to coast, restaurateurs are feeding the growing population of homeless, hungry, and impoverished.

Restaurant-backed City-meals-on-Wheels in New York has grown sixfold since 1981. In Chicago a new program has been launched, in which 140 operators are giving away food. The number of free Thanksgiving meals donated to the needy in San Francisco has jumped to 4,000 from 500 in two years.

"We feel a company has an obligation to put money back into the community where it gets its money," explained Charles Frank, president of Spectrum Foods in San Francisco.

The Physician Task Force on Hunger in America estimates that 20 million Amerians suffer from chronically inadequate nutrition. In San Francisco alone the homeless population has increased 40 percent since 1984, according

*(See CHARITY, page 98)*

## Chi-Chi's targeted in takeover try

*Carlyle seeks chain as anchor in multi-concept company*

**By Don Jeffrey**

WASHINGTON — Chi-Chi's Inc. could form the base of a multi-concept restaurant company if the investor group bidding about $210 million for the Mexican dinner house chain succeeds in taking it over.

The sweetened offer from the merchant banker Carlyle Group here comes at a time when Hal Smith, chief executive of the Louisville, Ky., company, appears to be turning the chain around since he joined it more than a year ago.

In addition, the overture represents one of the few signs of life on Wall Street, which is still shaking from the October crash.

In recent weeks deals in-

*(See CHI-CHI'S, page 4)*

## Circle K falls short of fast-food goals

**By Charles Bernstein**

PALM DESERT, Calif. — In a surprisingly frank talk about the challenges facing convenience stores, Circle K president Robert M. Reade declared here last month that the ideal food-service program would yield "high gross-profit dollars, higher margins with little labor involved, and major traffic-building capabilities."

**More IFMA coverage**
Daugherty follows Jones
Page 4

But he indicated that Phoenix, Ariz.-based Circle K is falling short of its goals, and he also asserted that "we want to learn from you food-service suppliers. We want you to come to us and educate us."

Reade spoke in a panel discussion at the third

*(See CIRCLE K, page 98)*

## FOOD WATCH

### *Hilton rolls Olympic menu*

LOS ANGELES — Hilton Hotels, one of the first hotel chains to promote fitness cooking, is launching its new Olympic "Training Table" menu at larger, downtown properties.

The seven-item menu, which ties in with Hilton's official sponsorship of the 1988 U.S. Olympic team, emphasizes lighter, nutritious dishes.

The menu includes angel hair pasta with prosciutto, shiitake, tomato, and basil; shrimp salad with snow peas, mushrooms, water chestnuts, and green onions with ginger sesame dressing; salmon fillet with saffron sauce; stir-fried beef or shrimp; and grilled breast of chicken with basil and pine on a red-pepper coulis.

Hilton has also been offering a health-oriented "Fitness First" menu since 1981.

## New supplier co-op faces comeback try

**By Charles Bernstein**

**PALM DESERT, Calif. — After losing 70 percent of its distributor members to major distribution companies over the last few years, Chicago-based North American Food-service hopes to rebound through a just-completed merger with Atlanta-based Nifda.**

**Although the coalescence of the two giant buying groups is**

*(See COMSOURCE, page 4)*

NRN Photo

**Co-owners Andrew Silverman, Eric Petterson, Carolyn Effer and Charles Milite in the bait shack at Live Bait.**

## *Live Bait hooks N.Y. with truck stop cuisine*

**By Paul Frumkin**

NEW YORK — You won't find many long-haul truckers braking outside of Live Bait to chow down on the restaurant's rib-stickin' "White Trash/Southeastern Roadhouse" cooking.

And yet restaurateur Andrew Silverman's little taste of Southern truck stop retro-chic in the up-and-coming Flatiron district of Manhattan is hotter than a spark plug.

The 95-seat operation opened in September, and it's been standing room only ever since.

"It's a regular night when 70 or 80 people are standing outside on 23rd Street, waiting to get in," said Silverman, who also owns the Maryland Crab Houses and La Playa in Manhattan as well as Kryton, a nightclub in the northern suburb of Bankaville, N.Y.

Live Bait is averaging about 250 dinner covers per day,

*(See LIVE BAIT, page 98)*

FORECASTERS PREDICT ECONOMIC SLOWDOWN IN '88 — Page 96

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## NEWS DIGEST

# Hard Rock to open new seafood concept

NEW YORK — Hard Rock Cafe Plc., the operator of rock-'n'-roll-themed restaurants in New York and London, is planning to open a new seafood concept in Boston under a joint venture with an unidentified restaurateur from the area.

The prototype is scheduled to open during the first quarter of 1988, according to investment sources.

Hard Rock, which is unrelated to Peter Morton's nightclub chain of the same name, has not revealed the name of its venture partner.

# G.D. Ritzy's plans new growth vehicle

COLUMBUS, Ohio — G.D. Ritzy's said it is about to unveil a new restaurant concept that will serve as the future growth vehicle of the struggling burgers-and-ice-cream chain.

"We plan on opening only one of the new prototypes and franchising the rest," said Ritzy's president, William P. Coleman. "We want another vehicle for growth and an additional way of increasing revenue."

Fifty-one-unit Ritzy's, which reported a third-quarter profit of $9,000 on revenues of $2.9 million, also disclosed that it resumed franchising its core concept in October. The chain had ceased signing new licensees while it attempted to position itself as more of a traditional fast feeder.

# Lavine joins Mexican chain as president

DALLAS — Chili's founder, Larry Lavine, has joined Tia's as president.

Tia's is a three-unit Mexican restaurant chain based here.

Chuck Haines, Chili's director of operations for nine years, has also joined Tia's management, which already includes Don Gardner, Joel Greer, and J.B. Frailey.

Lavine, who resigned from Chili's several years ago to launch other restaurant ventures, said he and his team plan to build three-year-old Tia's into a national competitor of Chili's and other casual-theme dinner house chains.

# Los Angeles passes no-smoking ordinance

LOS ANGELES — The city council here has approved a law requiring restaurants with 50 or more seats to set aside half their service areas for non-smokers.

Mayor Tom Bradley is expected to sign the ordinance, which should take effect by late December.

Los Angeles would be entering the ranks of the more than 100 cities in California and more than 300 in the United States that have enacted laws regulating smoking in restaurants.

# Cuomo aides vow fight for N.Y. smoking law

ALBANY, N.Y. — Governor Cuomo's administration has vowed to crusade for statewide no-smoking regulations following the New York Court of Appeals ruling that a controversial ordinance issued by the governor's office was invalid under state law.

The stringent ordinance was issued by the Cuomo administration after the Democrat-controlled state Legislature failed to pass no-smoking measures of its own.

The state's highest court ruled that the law was unconstitutional because the Legislature did not pass it.

# Cracker Barrel tests ice cream, pastries

LEBANON, Tenn. — In a bid to boost dessert sales, Cracker Barrel, the 50-unit chain of roadside family restaurants and gift shops, is testing cookies, pastries, and ice cream.

The items will be offered both in the restaurant and in the gift shop for take-out.

# Index down 1.4

1.4

NEW YORK — After three weeks of increases, the Nation's Restaurant News Stock Index fell 1.4 points in the week ended Nov. 27 and closed at 153.0.

The Dow Jones Industrial Average of 30 blue chips lost 3.15 points and finished at 1,910.48. Analysts said investors were concerned about the slumping dollar.

Two Pesos was the leading percentage price gainer, rising 43.8 percent, or $1.38, to $5.75. Taco Villa was the second-highest advancer, up 75 cents, or 33.3 percent, to $3. Po Folks was the biggest loser, falling 16.7 percent, or 63 cents, to $1.88. The largest volume surger was Servico. About 167,500 shares were traded, 350 percent above average for the stock.

**More financial news, pages 96-97**

# Chez Panisse's Shere opens take-out business

HEALDSBURG, Calif. — Chez Panisse pastry chef Lindsey Shere and two partners have opened the Downtown Bakery and Creamery in this Sonoma County wine country community.

Shere, a founding partner in Chez Panisse, now divides her time between the landmark Berkeley restaurant and the new take-out business selling baked goods and ice cream. Her partners are daughter Therese Shere and Kathleen Stewart.

# Comisars name Peyron to Chester's kitchen

Peyron

MONTGOMERY, Ohio — Alain Peyron has been named chef du cuisine at Chester's Road House, the restaurant in northeastern Cincinnati owned and operated by the Comisar family. Lee and Michael J. Comisar are best known as proprietors of Maisonette in Cincinnati.

A 20-year food-service veteran, Peyron worked nine years at Maisonette before becoming executive chef at Chateau Normandy in Indianapolis. Chester's Road House, opened in 1972, specializes in steaks, fish, and spirits.

# ARA adopts line of take-out meals

PHILADELPHIA — In the latest move by a contract feeder into the take-out market, ARA Services has rolled out a line of low-calorie frozen foods to be sold through its various health-care accounts.

The 15-item Light and Right line, which was developed by Baxter Hospital Supply Co., is targeted at both hospital employees and patients.

Canteen Corp., TW Services' contract feeder, has also moved into the take-out market with the introduction of its Pizzelli's Pizza line. Many business-and-industry feeders have also attempted to crack the take-home market, with mixed results.

# Pantera's negotiating to sell McCord's chain

ST. LOUIS — Pantera's Corp., parent of the Pantera's and Pizza Inn pizza chains, said it is negotiating a sale of its seven J.T. McCord's specialty dinner houses to an unidentified party.

Pantera's, which acquired Pizza Inn in July for $45 million, said it would use proceeds from the McCord's deal for working capital. Pantera's is required to maintain an undisclosed amount of working capital by its agreement with the two institutions that lent $29 million to finance the Pizza Inn deal.

**Compiled from staff and news reports**

## Special Report: IFMA presidents conference

# IFMA's Daugherty seeks non-food members

PALM DESERT, Calif. — Hal Daugherty, the International Foodservice Manufacturers Association's incoming board chairman, pledged here to push for more non-food and equipment supplier members of Chicago-based IFMA.

"This would create a better balance for IFMA," Daugherty declared.

The election of Daugherty, president of Chicago-based food-service equipment distributor Edward Don & Co., as 1988 IFMA chairman was announced at its annual presidents conference. He succeeds Quaker Oats Food Service president Russell Jones.

Walter VanBenthuysen, president of Rochester, N.Y.-based Richardson Foods and chairman of the 1987 presidents conference, moves from a vice chairman to first vice chairman.

IFMA treasurer Alan Plassche, president of General Foods' Food Service division, White Plains, N.Y., and William McLaughlin, president of L.J. Minor, Cleveland, become vice chairmen. Robert Nagel, general manager of Chicago-based Kraft's Food Service Group East, will be treasurer.

Donald Hansen, president of the Staley Foodservice Company, Chicago, was chairman of IFMA's nominating committee.

# Comsource combines sources

*(Continued from page 1)*

an equal one, Nifda ostensibly will be dominant, with 104 distributor company members, as opposed to North American's whittled-down list of 35 members.

Nifda president Shannon Talley will be president, chief executive officer, and chief operating officer of the new combined Comsource Independent Foodservice Cos., which will be based in a new Atlanta headquarters.

But with higher-volume members, North American brings $3.5 billion in sales to the merger while Nifda brings $2.4 billion. North American board chairman Gary Walsh will become chairman of Comsource's board and remain president of Seattle-based Food Services of America, which has been North American's largest member with $500 million in volume.

"Shannon Talley is without a doubt the outstanding executive in the food-service distribution industry," declared North American president Daniel Gescheidle in a special Comsource press conference at Marriott's new Desert Springs Resort here near Palm Springs, Calif. He will remain in Chicago as executive committee chairman of Comsource when it is launched in Atlanta Jan. 1.

Talley emphasized the new company's Comsource name as the ideal "combined source for providing services and specialists in all aspects of food-service distribution. We are integrating the best of both organizations."

Nifda and North American food-service labels as well as North American's Nadco non-food labels will be retained, Talley indicated. Comsource's 139 members will have a combined $5.9 billion in annual volume with more than 200 distribution centers and some 5,000 trucks.

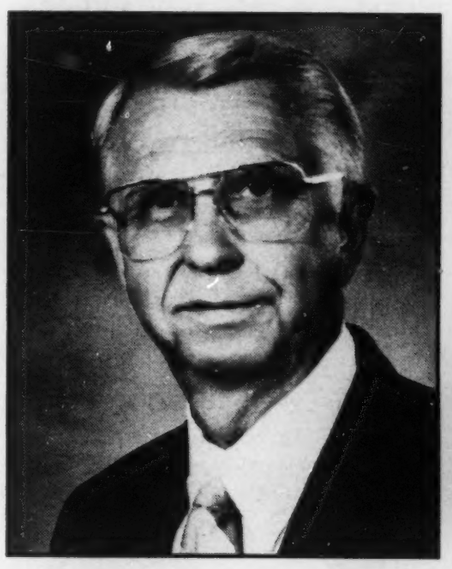
Certainly those more complete arsenals might enable Comsource to dominate over other cooperative distributor buying groups, such as CODE and Frosty Acres. But whether Comsource will gain headway against the Big Five distributors remains to be seen. Those formidable distributors are $3.7 billion-volume Sysco, $2 billion Kraft Foodservice, CFS Continental, Rykoff-Sexton, and PYA/Monarch.

A prime motivation for the merger is North American's desire to stem a continuing erosion of its members, many of which have been acquired by Kraft and other giants. "A merger was doubly difficult with all the independent members in each group," said Gescheidle, "but now the members are ready to pull together beautifully."

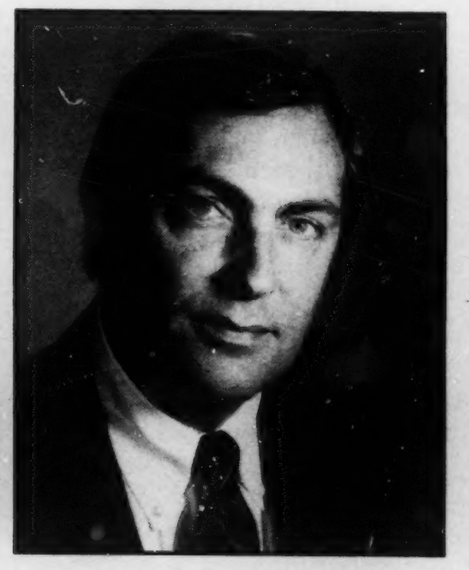
The merger culminates months of negotiations. Talley and Gescheidle began talking about such a deal at the annual Chain Operators Exchange conference of the International Foodservice Manufacturers Association in Miami Beach last February. They subsequently managed to put together all the pieces and obtain affirmative votes by Nov. 11 from almost all Nifda and North American shareholders.

COMSOURCE™
*Independent Foodservice Companies, Inc.*

**Comsource Independent Foodservice Cos.' new logo.**



**Shannon Talley**



**Daniel Gescheidle**

# Chi-Chi's reviews Carlyle bid

*(Continued from page 1)*

volving 7-Eleven parent Southland Corp., cafeteria operator International King's Table, Taco Bell franchisee Calny Inc., and dinner house operator Restaurant Associates have been buffeted by turmoil in the financial markets.

"We're interested in the notion of building a larger company," said Carlyle managing director Stephen L. Norris. "We're hopeful to be able to acquire the company on a friendly basis."

Carlyle, the general partner of a limited partnership, has a blue-chip roster of managing directors, including two former Marriott Corp. financial vice presidents; Norris, a mergers and acquisitions specialist; and Daniel A. D'Aniello, who was chief financial officer of Marriott's in-flight feeding division.

Chi-Chi's executives responded in a statement that they were reviewing the $9-a-share offer and would consider it at the next regularly scheduled board meeting in early December. The offer expires Dec. 15.

Carlyle already owns about 7.5 percent of Chi-Chi's estimated 23 million outstanding shares.

The company let expire Carlyle's first offer of $7 a share in cash plus preferred stock and equity in the new company that would emerge after the buyout. Chi-Chi's board last month approved a poison-pill plan to deter hostile tender offers.

The price of Chi-Chi's shares, traded on the over-the-counter market, rose 63 cents on the day the $9 offer was announced, and it closed at $8.25. Its 52-week trading range has been $6.38 to $12.38.

In a related development, Standard & Poor's, the bond-rating agency, placed Chi-Chi's convertible subordinated debentures, worth about $50 million, on its "credit watch surveillance list," stating that the company's cash flow would be "severely strained" if Carlyle's offer were accepted."

Norris said Carlyle would use bank loans and equity financing for the buyout, not junk bonds.

Norris said Chi-Chi's "biggest problem" was keeping a turnaround on course. "There are steps they ought to take that are difficult to do when you are trying to maintain quarterly earnings," he said.

He said that Carlyle wanted Smith to remain at the helm of Chi-Chi's, adding, "We think he's probably as good as anybody in the industry today." Norris said he anticipated some "participation" by Chi-Chi's management in the proposed buyout.

Carlyle's long-range plan, according to Norris, is to "put together a multi-concept restaurant company with three legs at least—different concepts and different geographic locations."

"Hal Smith could spearhead that kind of drive," Norris said.

Smith has tightened cost controls and improved profit margins, noted Piper Jaffray & Hopwood analyst Richard Pyle.

For the first quarter, ended July 31, food and labor costs declined to 82.7 percent of sales, from 84.6 percent, while corporate overhead fell to 8.9 percent, from 9.5 percent.

Chi-Chi's net profit increased 35 percent in the quarter, to $3.8 million, on a 5-percent decrease in sales, to $69.8 million.

Same-store sales rose 1.7 percent in the July-ended quarter, said Steven M. Ashley of Blunt Ellis & Loewi in Milwaukee. The company operated 113 restaurants, 14 less than it did the year before.

Ashley said "a key to Chi-Chi's longer-term growth would be the successful development of new concepts." One new concept is the Chi-Chi's el Pronto fast-food unit in mall food courts. Others are a seafood restaurant and a bar and grill concept.

Other managing directors at Carlyle, which was formed in May, include David M. Rubenstein, who was President Carter's deputy domestic policy adviser; William E. Conway Jr.; and Greg A. Rosenbaum. Limited partners are T. Rowe Price Associates Inc., Alex. Brown & Sons Inc., First Interstate Equities Corp., and the Richard K. Mellon family.

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FOCUS | NRN

# THE MANAGEMENT MERRY-GO-ROUND

## *Amid economic woes and a wave of mergers and acquisitions, companies use a myriad of resources to attract and retain food-service executives*

**By Don Jeffrey**

Food-service companies are offering everything but the company car these days to attract and keep their most valuable and hard-to-find resource—good managers in the field.

But at the same time companies with shrinking profit margins have been forced to cut costs by consolidating or not filling vacant executive positions at headquarters.

Clifford Fill, president of Dixie Search Associates in Atlanta, sees no shortage of good restaurant executives in the marketplace. What he notices is a reluctance on the part of companies to hire them.

"There's a lot of belt-tightening," Fill says.

For example, he says a company that once had a director of real estate and a director of construction has combined the duties into one position, director of development.

The wave of mergers and acquisitions has also affected the movement of executives in the industry. When one company takes over another, it often finds too many executives. Some wind up looking for new jobs.

To those on the lower rungs of the management ladder, recruiters say, chains are giving better benefits as a way to prevent chronically high turnover. They include stock-option plans, bonuses for cost controls as well as for sales and profit increases, more flexible hours, better medical plans, and higher starting salaries.

These benefits are often called "golden handcuffs," a new business buzzword that connotes the anxiety some companies feel about losing their best men and women.

The company car, however, which was once an almost automatic perquisite for an area supervisor or director, is not part of the current benefits package, because it is considered income under the new tax law.

Salary increases overall have been fairly generous for a time of slow industry growth. For top corporate executives, increases have averaged about 10 percent, according to one recruiter.

Some recent starting salary offers mentioned by recruiters include chief executive of a regional chain, $125,000; operations vice presidents, $70,000 to $90,000; full-service unit managers, $28,000 to $40,000; executive chefs, $40,000 to $45,000; directors of chain operations, $40,000 to $65,000.

For unit managers the pay is lower, but it is rising at a rate that can exceed the percentage increase at the higher levels of management. The search for good managers, meanwhile, is fraught with frustration.

"I've never seen such a demand/supply imbalance [of managers] as in fast food," says Jacques Lapointe, president of Retail Recruiters International of Plainville, Mass.

Companies have upped the ante for new unit managers. Lapointe says a trainee can now earn $25,000 to $30,000 to start, a $3,000-to-$4,000 increase over the previous-year figure. Other recruiters put the starting pay at $32,000 or more.

But store managers are earning that extra money. Kerri Patterson, recruiter with Roth Young in New York, says manager burnout is a growing problem because of the shortage of hourly workers. Fewer hourlies mean supervisors work more hours and less efficiently.

Management turnover is greatest in company-owned stores—running about 120 percent, according to one estimate. At franchised stores it is much less—less than 50 percent, says one source—because the manager is likely to be working directly for the owner of the company and not just for another employee.

The caliber of store-manager candidates is often depressingly low. Lapointe recalls he recently recruited 17 people for supervisory jobs with a fast-food chain. Only four actually showed up for work.

Recruiters, in making their pitches to prospective managers, like to point out that the job does not require extensive education or experience. Chains "teach management in a very strong way," Lapointe says.

And the potential for ladder climbing exists: Assistant managers *do* rise to the chief executive's slot. Fred Turner, chairman of McDonald's, is one prominent example.

"It's a fairly good growth business for somebody who is willing to pay his dues," Lapointe says.

But restaurant chains have registered sluggish sales in recent years, so executives and new managers are understandably disillusioned when economists project slow overall economic growth in the United States in the next few years, following the stock-market crash.

Nevertheless, recruiters say that fast-trackers will continue to move up quickly. "On the firing line the hotshots can really go crazy," Lapointe says. "A troubled economy is good for them."

When executives and field managers do leave their jobs, they usually find work at other restaurant companies. The experience of restaurant management is not so transferrable to other industries as are some other business experiences, recruiters say.

But many chains are looking outside their own industry for personnel, especially to replace managers at the unit level. Supermarkets, retail outlets, and convenience stores are good breeding grounds for managers, recruiters believe, adding that those outsiders often bring fresh ideas and insights to restaurant management.

Some companies have found that they can pay less by hiring an executive from outside than by promoting someone from within whose raises over years of service have made him too high-priced.

Golden parachutes, the generous packages of salary and benefits awarded to managers of companies that may be acquired, for all the attention they receive, are still relatively rare in the restaurant industry. Lapointe estimates that only 0.5 percent of top executives have them. One example was Gerald Office, the former chairman of Ponderosa, who bailed out with a golden parachute worth an estimated $6 million after Asher Edelman took over the company.

For recruiters, the principal task is to "establish rapport with higher authorities [at a company], so you know exactly the kind of people they want," Lapointe says. "We have to find who the top 20-percent players are," he adds. "Good food people are busy doing their jobs."

*To prevent chronically high turnover on the lower rungs of the management ladder, chains are offering benefits such as stock option plans, bonuses for cost controls, flexible hours, improved medical plans, and higher starting salaries.*

### BASIC COMPENSATION IN RESTAURANT INDUSTRY FOR 1987

| Operations | Low* | Median* (thousands of dollars**) | High* |
|---|---|---|---|
| V.P./General Manager | 40-48 | 58-80 | 80-94 |
| Operations Director | 38-43 | 48-66 | 66-85 |
| Regional Manager | 33-41 | 42-58 | 53-66 |
| Manager (Fast Food) | 19-21 | 24-29 | 31-37 |
| Assistant (Fast Food) | 16-18 | 19-23 | 24-28 |
| Trainee (Fast Food) | 14-17 | 16-18 | 18-19 |
| Manager (Midscale) | 18-23 | 24-29 | 32-42 |
| Assistant (Midscale) | 15-17 | 15-21 | 21-23 |
| Trainee (Midscale) | 13-16 | 15-17 | 17-18 |
| General Manager (Full Service) | 21-24 | 31-42 | 38-48 |
| Assistant (Full Service) | 16-19 | 20-23 | 27-30 |
| Trainee (Full Service) | 14-16 | 17-19 | 20-23 |
| Chef | 24-30 | 31-38 | 39-53 |
| Sous Chef | 20-24 | 25-30 | 31-37 |
| Garde Manger | 17-22 | 21-23 | 24-27 |
| Cook | 13-15 | 17-19 | 20-24 |
| Pastry Chef | 20-23 | 24-28 | 29-36 |
| Banquet Manager | 26-27 | 29-33 | 34-43 |
| Multi-Unit Manager (5-10 units) | 22-26 | 26-33 | 33-40 |
| **Administrative** | | | |
| Marketing Director (Chain) | 40-47 | 53-71 | 73-90 |
| Controller (Chain) | 38-43 | 45-62 | 55-79 |
| Personnel Director | 22-33 | 37-42 | 42-57 |
| Training Manager | 22-29 | 30-38 | 38-48 |
| Controller (Single Unit) | 21-24 | 26-32 | 40-54 |
| Purchasing Director | 21-27 | 27-34 | 38-49 |
| Real Estate Selection | 24-27 | 31-38 | 40-47 |
| Construction Manager | 26-31 | 34-41 | 42-53 |
| Facility Design | 19-23 | 22-27 | 28-35 |
| Advertising Manager | 26-31 | 35-42 | 42-56 |

* Different ranges reflect size of companies and regions of U.S.
** Salary figures do not include bonuses or benefits

Source: Roth Young 1987 Wage and Salary Review

FINANCIAL NEWS

# Economists scale down projections for GNP growth in '88 after crash

NEW YORK — Stunned by the stock market crash, the nation's top economic forecasters are now slashing their predictions for 1988.

Whereas once they predicted the economy would improve slightly next year, now they are forecasting a marked slowdown from this year's expected 2.6-percent growth rate.

According to the Blue Chip Consensus of economic forecasters, the real Gross National Product will increase by a worrisome 1.9 percent in 1988.

Before the crash, the average growth rate projected by 49 polled economists was a more hearty 2.8 percent.

Blue Chip said the shift to 1.9 from 2.8 was the biggest monthly drop ever in the consensus projection.

The National Restaurant Association, the industry's principal trade organization, recently unveiled its own forecast for food-service establishments next year: a 2.9-percent gain in real sales, to $213.5 billion.

The NRA's increase, however, was based upon a projection of 2.8-percent real expansion in the overall economy.

Only four economists polled by Blue Chip predicted a recession next year. The most pessimistic was John K. Langum, president of Business Economics Inc. in Chicago and publisher of The Langum Report on the American Economy.

"I think we're shaping up for a difficult year," he said. "It's a recession, not a depression. A far cry from '29 or '33. But these happy years we've had are over."

He foresaw an increase in unemployment, to 7.5 percent, and decreases in consumers' disposable income and confidence—factors that could directly hurt the restaurant industry.

Langum said the recession would be caused by widening national, corporate, and consumer debt.

But most other experts disagreed.

Robert McGee, economist with Irving Trust Co. in New York, predicted a 3.2-percent growth rate for the U.S. economy in 1988, unchanged since the crash.

He predicted slower consumer spending but said that it would be more than balanced by "a boom shaping up in the industrial sector."

As for the stock market collapse, McGee said, "Surveys of businesses show nobody's really changed plans. And there's no evidence consumers have changed plans."

He said that because most stock was owned by wealthy individuals, the market's plunge would primarily affect the sale of luxury goods. If that turned out to be true, it might mean reduced volume at high-ticket independent restaurants.

Unlike Langum, McGee and other optimistic forecasters said the employment situation would be bright next year. They pointed to October's increase in employment —the largest in years.

"As long as job growth holds up," McGee said, "there's no reason why restaurants shouldn't do well."

Inflation, however, will be worse than it has been in recent years, most economists agree. The falling value of the dollar has already made foreign goods more expensive for Americans. The Blue Chip consensus projected a 4.2-percent rise in the Consumer Price Index in 1988 and a 3.8-percent increase this year.

Brian Wesbury, economist with Harris Bank in Chicago, whose projection for the GNP was revised to 3.2 percent, from a bullish 4.4 percent in October, said the market crash and potentially higher taxes were the reasons for the lower estimate.

"The recent stock market collapse, because of its ties to the Depression and the feelings it generates, will slow the economy somewhat," Wesbury said.

But he speculated that consumer spending on services, such as restaurants, would not decline as much as would spending on durable goods, such as cars. "You don't want to make a large outlay when you're unsure about the economy," he said.

Two policies from Washington could bring on a recession next year, Wesbury believed: increased taxes and a protectionist trade bill.

*Wesbury speculated that consumer spending on services, such as restaurants, would not decline as much as would spending on durable goods, such as cars.*

**SELECTED FORECASTS FOR U.S. ECONOMIC GROWTH IN 1988**

| Forecaster | Oct. projection (1988 real GNP annual percentage change) | Nov. projection |
|---|---|---|
| Bostian Research Associates | 4.1 | 3.9 |
| Prudential Insurance | 4.3 | 3.3 |
| Irving Trust | 3.2 | 3.2 |
| Harris Trust & Savings | 4.4 | 3.2 |
| Morgan Guaranty | 2.9 | 2.6 |
| Dean Witter Reynolds | 3.0 | 2.3 |
| Equitable Life Assurance | 2.8 | 1.9 |
| Bank of America | 2.4 | 1.8 |
| E. I. Du Pont | 3.1 | 1.4 |
| Merrill Lynch Economics | 2.5 | 1.4 |
| Conference Board | 2.1 | 1.3 |
| Arthur D. Little | −0.6 | −1.5 |
| Business Economics Inc. | −2.0 | −2.0 |

Source: Blue Chip Economic Indicators

## NRN FINANCIAL DIGEST

### Steve's closes Swensen's deal

NEW YORK — Steve's Homemade Ice Cream Inc. said it had completed the acquisition of a controlling interest in Swensen's Inc. for an undisclosed price.

The merger calls for each Swensen's stockholder to receive two shares of Steve's common stock and one five-year warrant to purchase one share of Steve's stock at $6 a share for every six shares of Swensen's stock.

For the third quarter, ended Oct. 3, Steve's reported net profit had climbed 28 percent, to $388,694, on a 20-percent rise in revenue, to $5.6 million.

### Restaurant Assoc. LBO financing set

NEW YORK — Executives of Restaurant Associates, who proposed to take the company private in a leveraged buyout, said they had obtained commitments from seven financial institutions for $53.5 million worth of subordinated debentures to complete the deal.

The buyout group had extended to Nov. 20 its tender offer to purchase all shares it did not already own at $14.25 each.

Anwar Soliman, a California chain restaurateur, had withdrawn his $17-a-share bid.

### Taco Villa scores 3rd straight profit

DALLAS — Taco Villa Inc. scored its third consecutive profitable quarter, with net income of $737,000 in the third quarter, ended Sept. 30, compared with a loss of $811,000 last year.

Revenue declined 7 percent, to $20.2 million, because of the sale or closing of some restaurants.

During the quarter the company agreed to sell its Applebee's restaurant and bar concept to a franchisee for about $20.5 million.

### Winners reports deeper loss

BRENTWOOD, Tenn. — Winners Corp. said that its third-quarter loss had widened to more than $3.5 million, from $567,000 last year. Revenue was slightly lower, at $29.3 million.

The latest loss included a $2.9 million charge for the disposition of restaurants. Some of the money from the sale of units was used to pay debt, the company said.

### Le Peep cuts deficit by 36 percent

DENVER — Le Peep Restaurants Inc. said it had reduced its loss in the third quarter, ended Sept. 30, to $944,104, from $1.48 million in the same period last year. Revenue climbed 55 percent, to $3.6 million.

Chief executive Allen Bernstein said he anticipated "increasing benefits from our recently announced staff, overhead, and operating expense reductions."

Four new franchised units were opened during the quarter. Eight units are under construction.

### National Pizza to buy back more stock

PITTSBURG, Kan. — National Pizza Co., the Pizza Hut franchisee that recently completed the proposed repurchase of 500,000 shares of its stock, reported that it planned to buy back an additional 200,000 shares on the open market.

These 200,000 shares, representing about 2 percent of the total outstanding, would be held as treasury stock.

Shares were priced recently at $9.25, down from a 52-week high of $18.75.

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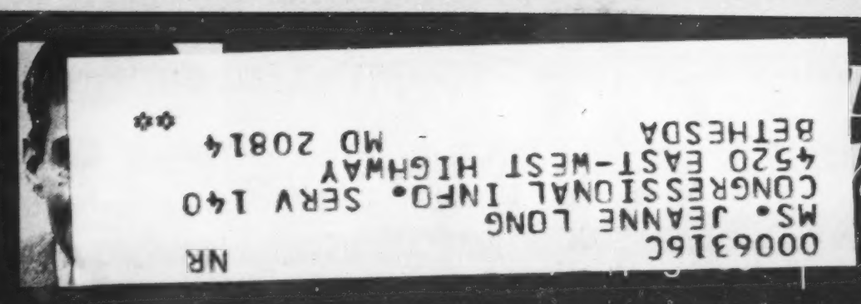

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**Ditka's, City Lights have winning year**

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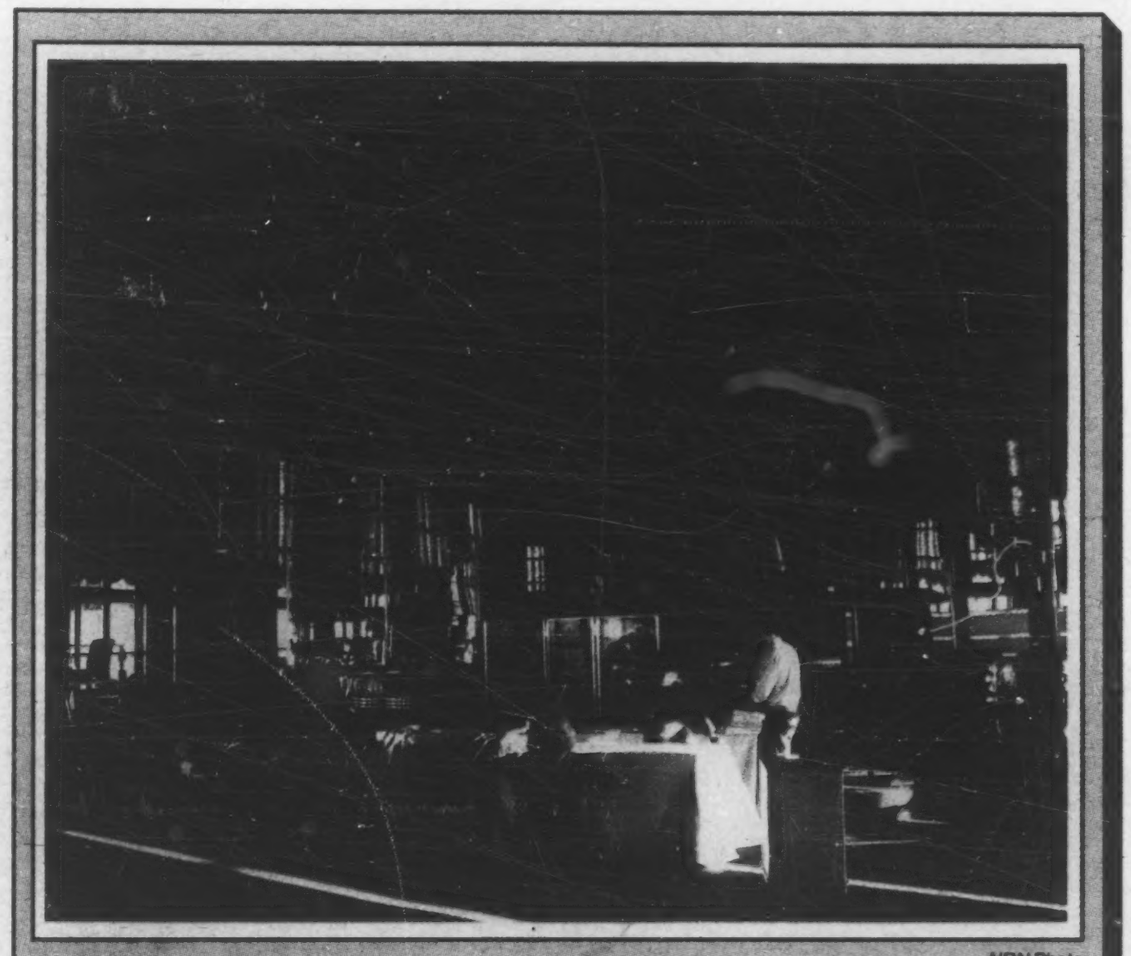

NRN Photo

Rainbow Room workers scurry to set up for a preopening party.

## *Rainbow Room reopens doors after 2 years and $20 million*

**By Joe Edwards and Paul Frumkin**

NEW YORK — Joseph Baum and Alan Lewis, who have created and operated some of the city's most famous restaurants, including The Four Seasons and Windows on the World, have reopened the 53-year-old Rainbow Room after a two-year, $20 million-plus renovation.

Perched in American Modernism splendor 65 floors atop Rockefeller Center, The Rainbow Room is part of a two-floor complex featuring three public restaurants, banquet rooms, and the members-only Rockefeller Center Club.

The restaurants and club are owned by the Rockefeller Group and man-

*(See **RAINBOW**, page 72)*

# Industry lobby loses fight to block tip tax

## *Employers face Social Security levy*

**By Ken Rankin**

WASHINGTON — The controversial legislation requiring food-service operators to pay Social Security payroll taxes on employee tips appeared headed for final passage late last month.

Restaurant industry leaders said they had abandoned hope of defeating the measure, which would increase food-service labor costs by more than $100 million in 1988 without providing any additional benefits for industry employees.

**Rankin's commentary**
How many defeats like this can food service take?
Page 17

The measure was part of the compromise federal deficit reduction measure, which was facing final enactment.

But with the House, the Senate, and the president all in agreement on that tip tax provision, "it would take a miracle to block it now," a spokesman for the National Restaurant Association told Nation's Restaurant News.

The idea of requiring restaurateurs to pay taxes on non-wage gratuities of

*(See **TIP TAX**, page 68)*

# Wendy's erases 200 jobs in new round of cost cuts

**By Peter J. Romeo**

DUBLIN, Ohio — Wendy's International has sunk an ax into its payroll again, laying off at least 100 administrative and field-level employees and reassigning as many as 100 others to different jobs.

The elimination of 200 positions follows by seven months the dismissal of 160 headquarters staffers. In total, 45 percent of the persons on Wendy's payroll a year ago have either been discharged or reassigned.

The limping fast-food giant expects to lay off more staffers this year in its drive to bolster profits by slashing costs, a spokesman said. An accounting firm has been hired to assist in identifying positions that could be terminated.

Madigan

In a separate development, Wendy's longtime chief financial officer, Joseph Madigan, resigned "to pur-

*(See **WENDY'S**, page 72)*

# NRN upgrades F.I.R.S.T.

## *System speeds info on products*

NEW YORK — Nation's Restaurant News, the weekly newspaper of the food-service industry, is upgrading its F.I.R.S.T. service to readers and making it easier than ever before to use.

**F.I.R.S.T. details**
Page 18
**Instructions**
Page 70

NRN's F.I.R.S.T. system allows readers to order additional information from NRN advertisers by calling a toll-free 800 number—anytime 24 hours a day seven days a week.

The improvement eliminates the need for a special code number. Now readers need only the mailing label at the top of the front page to get started.

Complete, step-by-step instructions will appear every week in the Advertiser Index.

## FOOD WATCH

### *Meat loaf makes a comeback*

Meat loaf, that ground-beef staple scorned by countless middle-class families throughout the 1950s and 1960s, has re-emerged as the comfort-food favorite of the 1980s.

In New York slabs of baked beef are served as an open-faced sandwich in Dine-O-Mat, a nostalgia-steeped entrant in the trendy East Side dining scene. The meat loaf is served with mashed potatoes and an apple muffin for $6.95.

At Cyril's, a fashionable new tablecloth restaurant in Los Angeles, meat loaf has been included on the menu.

The Nashville, Tenn.-based Winners Corp. features meat loaf in its two fast-food chains, Mrs. Winner's Chicken 'N Biscuits and Southern Cafe. The dish is offered periodically as a daily special.

The sudden surge in the popularity of meat loaf has not gone unnoticed by coffee shop chains, either. Shoney's, also based in Nashville, is testing a meat-loaf-and-mashed-potatoes platter in select units. And meat loaf has proved a hot seller in tests within the Columbus, Ohio-based Bob Evans chain, an executive said.

MONGOLIAN BARBECUE ADDS SIZZLE — MENU TRENDS, PAGE 11

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## NEWS DIGEST

# Calif. ups minimum wage, adopts 'subminimum'

SAN FRANCISCO — California's minimum wage will rise July 1 to $4.25 an hour, the highest pay floor in the nation and a 27-percent leap from existing California and federal minimums of $3.35.

The state Industrial Welfare Commission also voted here to adopt a controversial "subminimum" wage of $3.50 for workers who earn at least $60 a month in tips. That action came over the objections of commissioner Michael Callahan, a former official of the Hotel Employees and Restaurant Employees International Union, who argued that the special wage category discriminates against waiters and waitresses.

The new minimums, expected to influence pending wage legislation battles in other states and in Washington, will directly affect an estimated 600,000 bottom-tier workers and most restaurants in California.

# Florida ad tax repeal seen as curbing other states' moves

TALLAHASSEE, Fla. — The repeal of a controversial 5-percent tax on all advertising appearing in Florida is widely expected to spare restaurant chains and other high-volume advertisers from encountering similar revenue-raising measures in other states.

Florida governor Bob Martinez, bowing to extreme pressure from a slew of advertisers, convened the state legislature to repeal the tax some five months after it went into effect.

# Forgione, Weinstein join to open N.Y. restaurant

NEW YORK — Larry Forgione, chef-owner of the highly acclaimed An American Place, and Michael Weinstein, creator of such well-known dining spots as America and Ernie's, have teamed up to open a new restaurant here called Pierpont.

The 170-seat place, which is slated to open in February in the Murray Hill section, will comprise two concepts. The main floor restaurant will feature a menu similar to that of An American Place, although selections will be ordered à la carte. Upstairs, a lunch menu will include moderately priced main course soups, salads, and sandwiches. From 4 p.m. until closing, the restaurant will offer a continuous array of hors d'oeuvres priced at $2, $3, and $4.

# LeRoy hires Kathy Casey for Maxwell's Plum

NEW YORK — Flamboyant restaurateur Warner LeRoy has hired Kathy Casey, the celebrated young Northwestern chef, to take over the kitchen at Maxwell's Plum, the showy Upper East Side restaurant and bar.

Casey, who rose to prominence while she was at Fuller's, an American restaurant in Seattle, accepted the job at Maxwell's after plans to open her own West Coast restaurant had fallen through. She is scheduled to join Maxwell's in mid-February, after the restaurant is renovated.

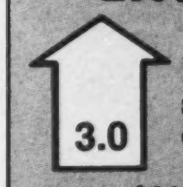
LeRoy has attempted to put a well-known American chef at the helm of Maxwell's for several years. Last year he lured Mark Peel and Nancy Silverton away from Los Angeles' Spago. But the husband-and-wife team quit nine months later because of Maxwell's volume of about 1,200 meals per day.

# Pantera's sells McCord's to Spillman for $5.4 million

ST. LOUIS — Pantera's Corp., the new parent of the Pizza Inn chain, said it had sold its seven-unit J.T. McCord's dinner house chain for $5.4 million to a group led by Joseph Spillman, who failed last year to outbid Pantera's for Pizza Inn.

Pantera's said the proceeds are being used as working capital. The company, which also operates the Pantera's pizza chain, is required by a loan agreement to keep a specified amount of working capital on hand.

# *Index rises 3.0*




NEW YORK — The Nation's Restaurant News Index of 84 stocks rose 3.0 points in the week ended Dec. 18 and closed at 153.7.

The Dow Jones Industrial Average of 30 blue chips, meanwhile, soared a record 108.26 points and finished the week at 1,975.30. Analysts said investors ignored the record-high trade deficit figure for October after Federal Reserve chairman Alan Greenspan called it an "aberration."

On NRN's expanded list of 156 stocks—representing restaurant, lodging, diversified, and food-service manufacturing and distributing companies—114 advanced in price, 25 declined, and 17 stayed the same. Winners Corp. led the percentage price gainers, rising 75 cents, or 50 percent, to $2.25.

Seventy-three issues traded at volumes above their normal trading averages, while 80 were less active than usual, and three were unchanged. Maverick Restaurants showed the biggest volume surge, about 552 percent above average, at 174,700 shares.

**More financial news, pages 70-71**

# Schwegmann to pair drive-thrus, supermarkets

NEW ORLEANS — Striving to create a symbiosis between restaurants and supermarkets, retailing magnate John Schwegmann and three partners have purchased an unspecified stake in Checkers, a fledgling drive-thru-only burger chain.

The investors' group, L.M.T. Enterprises, said it plans to erect drive-thrus on the parking lots of some of Schwegmann's 15 supermarkets. The restaurants and stores will share staffs, with employees switching to the food-service outlets during meal times.

The plan also calls for Checkers units to purchase supplies through Schwegmann's supermarkets to realize economies of scale.

# Holiday taps Meeks to head three lodging chains

MEMPHIS, Tenn. — In a reshuffling of top management, Holiday Corp., the world's largest innkeeper, has appointed senior vice president D. Michael Meeks to the additional post of hotel group president.

Philip Sartre, president of Holiday's gaming group, was assigned the added post of corporate senior vice president.

The changes follow Richard Goeglein's resignation as president. Holiday chairman Michael Rose has assumed Goeglein's former duties.

In his newly created position, Meeks is responsible for the operations of Holiday's Holiday Inn, Hampton Inn, and Embassy Suites hotel chains.

# Ingredients alert will spur panic, operators caution

SACRAMENTO, Calif. — California restaurateurs, who earlier voiced concerns about a now-scrapped proposal to post warnings about potentially dangerous chemicals in individual menu items, recently told state officials that a generic warning under consideration could needlessly promote panic.

The state's health and welfare department has asked for input on labeling proposals it will enact in compliance with Prop. 65, a voter-approved toxic waste initiative that requires notification whenever chemicals believed to be carcinogenic are used or found naturally in products.

Restaurant and hotel industry leaders told state officials that placement of "WARNING" at the beginning of the proposed generic labeling notice is too strong.

"We're asking to eliminate the capitalized 'WARNING' in favor of 'Notice' or 'For Your Information,'" said Jo-Linda Thompson, legislative council for the California Restaurant Association.

# Kaufman sells Pioneer Take Out Corp.

**By Richard Martin**

LOS ANGELES — Pioneer Take Out Corp., a 270-unit chain of fried-chicken stores based in Southern California, has been sold by founder H.R. "Rick" Kaufman to an investment group led by former California legislator Terrence B. Goggin.

Terms of the sale were not disclosed, and none of the principals was immediately available to comment.

Goggin, backed in the transaction by investment banker Robert B. MacDonald, was the fast-food franchisor's attorney during its recent troubles with the California Department of Corporations.

In August the state agency ordered the 26-year-old chain to stop selling franchises until it could demonstrate financial solvency. By October the company had regained its ability to franchise after filing new financial reports.

Earlier, a group of Pioneer franchisees that owns 77 of the chain's 240 franchised outlets sued the company for more than $25 million. The group accused Pioneer of fraud, antitrust violations, breach of contract, negligent misrepresentation, and the inappropriate lending of advertising payments to some of Kaufman's other businesses.

*After a meeting with Goggin and MacDonald, dissident franchisees said they were encouraged and enthused by the change in management at Pioneer.*

Kaufman denied the allegations and, with a group of supportive franchisees, countersued for more than $40 million in damages.

Pioneer's October financial statements pegged the company's net value at $8.5 million, its assets at about $41 million, and its debts at approximately $32.5 million.

However, the audit report placed Pioneer's more probable net value in the $3 million range when it raised doubts that the company could ever recoup some $5.3 million in loans to Kaufman's holding company, Transpacific Industries Corp.

The Los Angeles-based chain, which also operates in Arizona, Hawaii, and Indonesia, grossed $84.9 million in 1986, down from $91.4 million in 1985 and $103.4 million in 1984.

After a meeting with Goggin and MacDonald, dissident franchisees said they were encouraged and enthused by the change in management at Pioneer, which they said had been the main goal of their litigation. Leaders of the rebel faction said they were considering dropping their lawsuit.

Goggin, who was a Democratic assemblyman from San Bernardino from 1974 to 1984, assumed the post of chief executive of Pioneer, and MacDonald became the company's chief financial officer. They named John Husing as executive vice president and interim director of operations.

Franchisees said the company's new owners promised to increase support for the chain, including adding $1 million to its advertising budget.

# Farkas engineers Victoria Station onto right track

## *Buys trademarks and 11 units*

**By Alan Liddle**

STRATFORD, Conn. — Victoria Station, the once-mighty railroad theme restaurant chain that filed bankruptcy in May 1986, has pulled back onto the main line with 11 units in tow and food-service veteran Lowell Farkas at the controls.

Farkas, Horn & Hardart's chief operating officer from 1973 to 1982, is president and chief operating officer of newly formed Victoria Station Acquisition Corp., which is headquartered in Stratford. His company, with the authorization of a bankruptcy court judge, purchased selected assets from the struggling Larkspur, Calif.-based Victoria Station last month.

Among the assets acquired by Farkas' company are Victoria Station's trademarks and 11 restaurants in Boston, metropolitan New York, and Dade County, Fla. The purchase price was approximately $6.5 million in cash and the assumption of $1 million in tax liability.

To complete the transaction, Victoria Station Acquisition Corp. must also turn over 10 percent of its newly issued stock to shareholders of the old chain's common stock. Another 10 percent of the stock, as well as a million shares of preferred stock with a liquidation value of $1 million, must go to general unsecured creditors, who claim they are owed $38 million.

The remaining assets of Victoria Station, which operated about 45 units at the time it filed for Chapter 11 protection from creditors, have been or will be sold to help pay off debts. In a debtors' disclosure filed with the courts, the chain said it owed approximately $31 million but acknowledged that creditors' claims totaled closer to $60 million.

Farkas is being bankrolled in his efforts to steer Victoria Station back onto the right track by 605 Partners, a New York investor group that includes portfolio manager Michael Steinhardt and CPA Raymond Wechsler. Citicorp also has equity in the new company, Farkas said.

He noted the 11 restaurants his group is buying are "profitable and make a nice base on which to grow a company."

Victoria Stations are "the prime rib house in the markets they are in, and prime rib is still the most popular item to be consumed outside the home," Farkas said. "If we selectively adjust the menu—I believe it may have become a little too broad—we can compete very well in the marketplace," he added.

In an effort to maximize sales per square foot at some of the restaurants, which range in size from 7,500 square feet to 10,000 square feet and seat from 260 to 300 people, Farkas said he would open a second franchised concept on site. He said products from the second concept, possibly an ice cream or bakery operation, would be incorporated onto the full-service restaurant's menu.

Farkas said some of the incentive for trying to grow the chain's top line comes from the favorable long-term leases it holds. Eight of them are land-only agreements, he said, which means Victoria Station Acquisition Corp. enjoys occupancy costs well below the market average.

Projections in the bankruptcy reorganization plan indicate that Victoria Station Acquisition Corp. expects to generate total sales of about $18.6 million and $2.1 million in cash flow its first year.

Victoria Station, known for its boxcar restaurants and prime rib, opened its first unit in San Francisco in 1969. By the late 1970s it had become a 100-plus-unit juggernaut headed for trouble.

The chain's demise has been attributed by analysts to a number of things, including:

- The boxcar design that made it impossible to move away from the railroad theme as diners grew tired of it.
- America's growing interest in fish and poultry.
- A myriad of expansion-related problems, including poor site selection and lease agreements and failure to concentrate enough units in a given geographic area to make marketing and management cost effective.

# Peter J. Romeo promoted to news editor at NRN

NEW YORK — Peter J. Romeo, senior editor at Nation's Restaurant News for the past three years, has been promoted to news editor with increased responsibilities over the reporting staff.

He reports to executive editor Rick Telberg, who reports to Charles Bernstein, the chief editor.

NRN Photo

**Peter J. Romeo**

Romeo started his career as senior editor at Beverage Industry, a twice-a-month newspaper published by Magazines for Industry.

He went on to become editor of Fast Service/Family Restaurants and Kitchen Planning magazines, both published by Harcourt Brace Jovanovich and then editor of Hotel & Motel Management, a monthly newspaper published by Harcourt Brace Jovanovich.

He holds two bachelor of arts degrees, in journalism and in history, both from New York University in New York City, from which he graduated magna cum laude.

In other changes in NRN editorial operations, the copy desk has been expanded.

New desk editors are Jeanne Isenberg, former editorial assistant at Simon & Schuster Inc.; Peter Keegan, former page makeup coordinator at CBS Magazines Inc.; and Katherine Rabin, former sports editor of The Mexico City News.

They join copy editor Michael Schrader and report to senior desk editor Tracey Taylor Woodard.

## NRN publisher joins Variety

NEW YORK — Arthur Anderman, publisher of Nation's Restaurant News and vice president of parent Lebhar-Friedman Inc., has resigned to join Cahners Publishing Inc. as executive vice president of its entertainment division, which publishes daily and weekly Variety, a show business newspaper.

He was publisher of National Home Center News, another Lebhar-Friedman newspaper, before being named NRN publisher in 1985.

## CORRECTION

"Chains deck the halls with plush toy promos," page 3, Dec. 14, misidentified the manufacturer of Furskins dolls as the "creator of the Cabbage Patch Kids."

Although the plush toys were originally conceived by Xavier Roberts, who also invented Cabbage Patch dolls, Furskins are manufactured by a subsidiary of Hallmark Co. under a licensing agreement.

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FOCUS | NRN

# FACING A YEAR OF SLOW GROWTH

*Fears of recession and inflation prompt consumers to cut back spending on discretionary items, but restaurant operators claim they 'are prepared'*

**By Don Jeffrey**

The food-service industry faces a year of slower growth as debt-burdened consumers, fearing that the stock market crash signaled a downturn in the economy, cut back on their spending.

Many experts are projecting sluggish gains in disposable personal income. If consumers have less to spend on discretionary items, analysts argue, restaurant and bar sales will suffer.

Restaurant operators, however, say they are prepared for the worst, having trimmed the fat out of their budgets with massive layoffs and the disposal of underperforming units. Some believe a recession would boost their sales as diners trade down to lower-ticket eating places.

Besides a downturn or recession, the other economic nightmare—renewed inflation—also looms as a possibility for 1988. The decline in the dollar has put pressure on prices, which have been rising lately at a faster rate than in recent years.

Operators say they are prepared for that scenario as well. Some welcome inflation as a reason for raising prices and thus boosting sales.

"Our industry runs best at 6-percent inflation," said Mitchell Boyd, chief executive of Shoney's Inc., at a recent investors' conference.

The Blue Chip poll of nearly 50 economists projected a 4.3-percent rise next year in the Consumer Price Index.

Moreover, since the stock market crashed in October, the polled experts have reduced their 1988 projections of real growth in the Gross National Product to 2.0 percent from 2.8 percent, and disposable personal income, to 2.3 percent from 2.7 percent.

Despite the gloom and apprehension in some circles, though, the principal forecaster for the food-service industry, the National Restaurant Association, predicts good sales gains in 1988.

The NRA projected a 7.1-percent increase in sales this year at restaurants and bars and contract and institutional feeders, to $213.5 billion. If inflation is factored out, that would be a 2.9-percent real sales gain, compared with an estimated 2.7-percent rise in 1987.

But securities analysts have said many chains posted meager increases, if any, in real sales last year. Few experts are predicting significantly better results this year.

The Commerce Department's monthly retail sales figures showed a drastic decline in revenue growth at eating and drinking places in 1987, from a year-to-year high of 13.5 percent in February to lows of 1.8 percent in August and 1.9 percent in November.

Restaurant companies, in tandem with consumers, may also be trimming their spending. The decline in the stock market could make it more difficult for businesses to raise money for expansion.

Some experts disagree. "Surveys of businesses show nobody's really changed plans," said Robert McGee, an economist with Irving Trust Co. in New York. "And there's no evidence consumers have changed plans."

Before the crash, most chains had cut back their unit expansion because many markets were glutted with restaurants. That oversupply caused cut-throat competition for too few diners. As customer traffic declined, overheated discounting squeezed margins.

Because of the industry's slow growth and the collapse of the stock market, restaurant stocks generally performed poorly in 1987. The Nation's Restaurant News Index of 84 food-service issues closed at 150.7 on Dec. 11, down 10.7 percent from the figure for the same week one year earlier. In contrast, the Dow Jones Industrial Average of 30 blue-chip stocks fell 2.4 percent, to 1,867.04.

After a recent industry stock conference Steven Rockwell, restaurant analyst with Alex. Brown & Sons, said investors felt "no sense of urgency to buy any of the stocks. They were there to look over the merchandise and pick out the companies they thought would be attractive over the long term."

The economic fallout from the crash extends to other areas as well.

Mergers and acquisitions, which helped fuel the five-year bull market, are less attractive. Some deals proposed before the market plunge were endangered, such as Western Steer's, while others closed at lower purchase prices, such as that of Servico and Restaurant Associates. Allegheny Beverage had proposed selling contract feeder Servico to its managers for $500 million, but the deal closed at $450 million.

Some experts believe the great era of acquisitions came to an end on Black Monday last October, when investors fled from highly speculative deals, such as leveraged buyouts financed largely by high-risk junk bonds.

Despite a slowdown in mergers, though, many industry observers see a continuation of the trend toward consolidation. The big will get bigger, they say, because only large corporations will have the cash flow or other financial resources to expand. For example, the hottest trend in restaurant chain concepts—Italian cuisine—receives its greatest thrust from conglomerates like General Mills, with its Olive Garden, and Imasco, with Grisanti's.

Meanwhile, the opportunities for entrepreneurs to build new restaurant concepts into chains are more limited than ever before. No one is expecting a burst of initial public offerings of stock in 1988. And venture capital does not flow much into the restaurant industry.

One of the hottest financial trends in the past two years—the development of, or restructuring of restaurant corporations into, master limited partnerships—is likely to wane in the next few years. Most investors leaped at the chance to buy shares of a partnership, because its income, unlike a corporation's, is not subject to double taxation.

But Congress is considering bills that would revoke or modify the tax-sheltering aspects of the partnership. Nevertheless, analyst Ward Lindenmayer of Sutro & Co. believes that if Congress changes the tax structure, well-managed partnerships—like Perkins Family Restaurants—could simply switch back to corporation status and thrive.

Another possible action by Congress that would strain the finances of restaurant companies is the raising of the federal minimum wage. Although most operators say they pay their workers above the minimum, they unanimously believe a higher base rate will force all employee wages upward. And that will further pinch restaurateurs' shrinking profit margins.

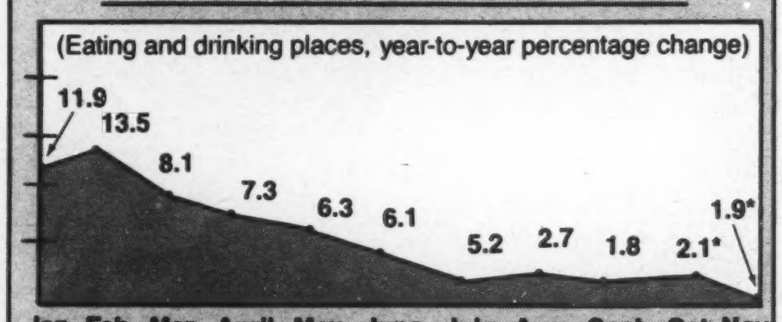
But a higher minimum wage is not the only labor problem the industry faces. Government statistics point to an increasingly tight labor market: Unemployment in November fell to 5.9 percent, from 6 percent. That means continued difficulty in recruiting managers and hourly employees.

While analyses show that net profits are higher than ever before, Ron Paul of Technomic Inc. says the figures are misleading. According to his sample of 100 public restaurant companies, total net income grew 42 percent in the third quarter of 1987, to $511 million. But more than two-thirds of that improvement came from just McDonald's, Pepsico, and Wendy's.

Interest rates, meanwhile, are not expected to rise rapidly.

**SALES GROWTH SLOWS IN 1987**

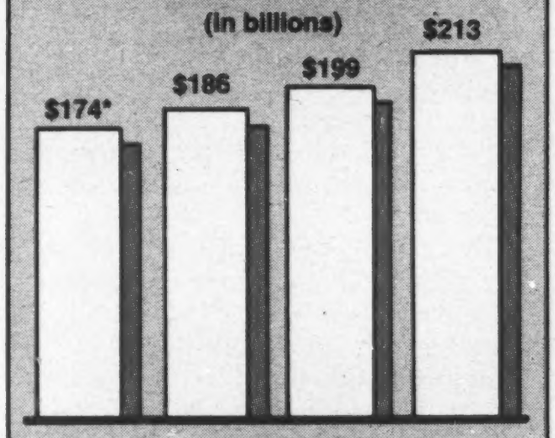
(Eating and drinking places, year-to-year percentage change)

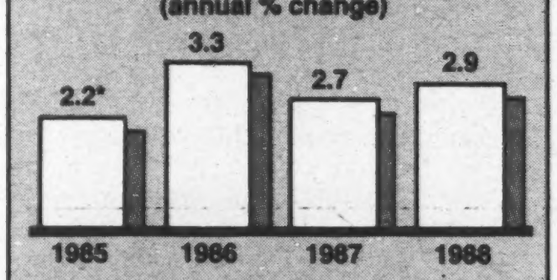



Figures unadjusted for inflation or seasonal variations.
Eating and drinking places. *Subject to revision
Source: U.S. Department of Commerce

**TOTAL FOOD-SERVICE INDUSTRY SALES**

Sales Real Growth**




*These are actual figures; others are estimates
**Inflation is factored out
Source: National Restaurant Association

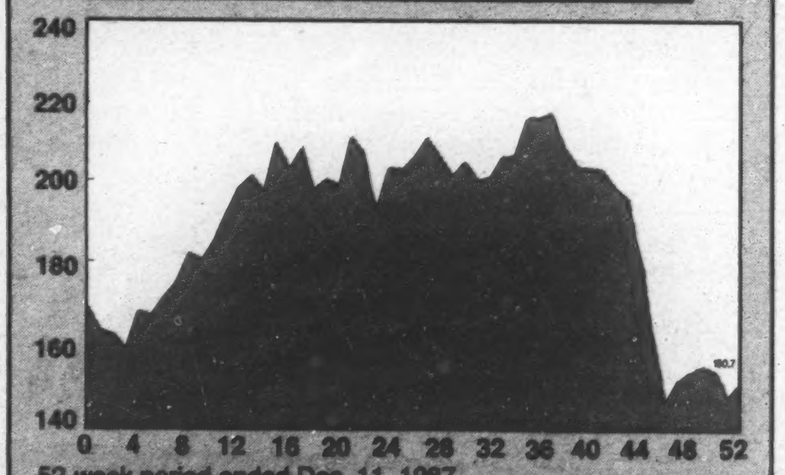
**FORECASTERS GROW GLOOMIER**

(Changes in 1988 projections after stock market crash)

| | Real growth in GNP in % over 1987 | |
|---|---|---|
| | Oct. projection | Nov. projection |
| Bostian Research Associates | −4.1 | −3.9 |
| Prudential Insurance | 4.3 | 3.3 |
| Irving Trust | 3.2 | 3.2 |
| Harris Trust & Savings | 4.4 | 3.2 |
| Morgan Guaranty | 2.9 | 2.6 |
| Dean Witter Reynolds | 3.0 | 2.3 |
| Equitable Life Insurance | 2.8 | 1.9 |
| Bank of America | 2.4 | 1.8 |
| E.I. du Pont | 3.1 | 1.4 |
| Merrill Lynch Economics | 2.5 | 1.4 |
| Conference Board | 2.1 | 1.3 |
| Arthur D. Little | −0.6 | −1.5 |
| Business Economics Inc. | −2.0 | −2.0 |

Source: Blue Chip Economic Indicators

**NRN RESTAURANT STOCK INDEX**




52-week period ended Dec. 11, 1987
Base Value = 100: Oct. 28, 1983
Source: Media General Financial Services Inc.

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NEWSBANDER

**Drive-thru chains shift into high gear**

Focus section follows page 34

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**...oil ...ions**

Operations and Equipment/page 17

**La Coupole faces possible change**

Report from Europe/page 51


# Nation's Restaurant News®

*The Weekly Newspaper of the Food-Service Industry*

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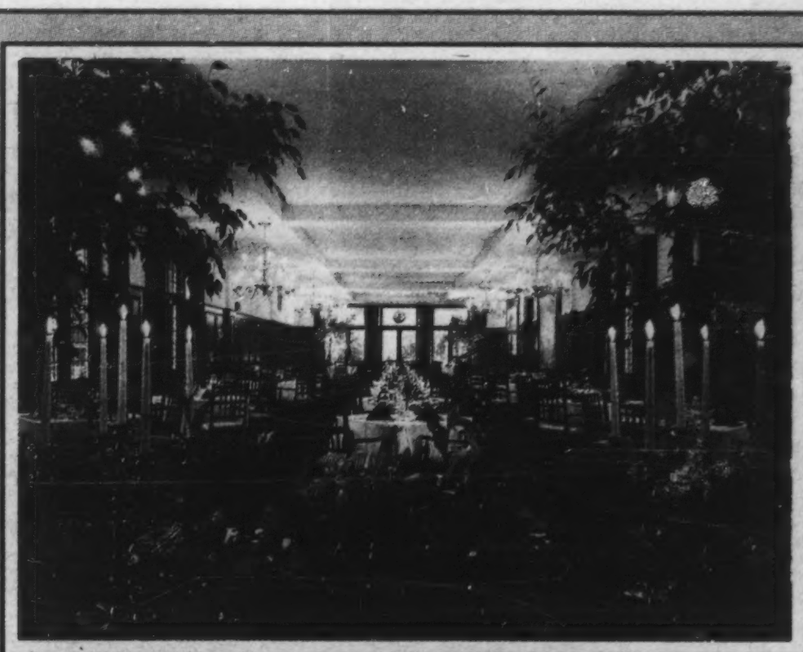

The dining room at The Immigrant.

## *Immigrant's traffic follows prices upward*

**By Carolyn Walkup**

KOHLER, Wis. — The Immigrant, the fine-dining component of the Kohler Co.'s luxurious American Club hotel, found a novel way of addressing stagnant sales and sluggish customer traffic: It raised menu prices.

Since then, one and one-half years ago, sales have increased almost 50 percent, and business is booming.

"It turned out that's what people wanted," said Susan Green, vice president of hospitality businesses, who declined to reveal sales volume.

Green gave William Springer, executive chef, much of the credit for boosting sales.

He completely upgraded and changed the menu from Continental to regional American after he was hired.

The Immigrant also added more flair in both its presentation and service, while retaining generous portion sizes to ac-

*(See IMMIGRANT, page 78)*

# Calif. restaurateurs fear loss of tip wage exemption

## *Industry expects hike to raise other pay floors*

**By Richard Martin**

LOS ANGELES — Restaurant-industry lobbyists in California fear that embittered labor advocates may successfully sue to bar the exemption of tipped workers from the state's new $4.25 hourly minimum wage.

Leaders of the California Restaurant Association also warn that the 27-percent increase over current California and federal minimums of $3.35 may fuel efforts to boost bottom-tier wages in other states and in Washington. The California pay hike "probably will be cited by other jurisdictions as justification for taking some action," predicted Stanley Kyker, CRA executive vice president.

The food-service industry is lobbying against a proposal now being debated in Congress to raise the national minimum wage to $4.65 by 1990.

Meanwhile, industry figures in California are already drafting defense strategies against possible further increases in that state's bottom-tier wage.

Scheduled to take effect July 1 as the nation's highest pay floor, the new California

*(See CALIFORNIA, page 78)*

**Calif. girds for next wage battle**

CRA soliciting operators to gather arsenal of data

Page 78

# Hamlets accepts $33M bid

## *Lewises to retain command under Weatherly*

LOS ANGELES — Hamburger Hamlets Inc., a group of upscale specialty restaurants whose enduring popularity is a tribute to the 37-year stewardship of founders Marilyn and Harry Lewis, has accepted a $33 million buyout proposal from a New York investment firm.

Lewis

The Lewises, who over the years have rebuffed acquisition attempts by food-service companies, will continue to guide the 24-unit chain under the ownership of Weatherly Private Capital Inc. The husband-and-wife team would receive nearly $23.2 million for their 70-percent stake in Hamburger Hamlets under the terms proposed by Weatherly, which offered $9.20 for each of the company's 3.6 million shares outstanding.

The leveraged buyout, which is subject to the drafting of a final agreement and the completion of financing, is expected to close in February.

At that time the Lewises will pay an undisclosed amount to buy back the trendy Kate Mantilini restaurant they opened last year in their

*(See HAMBURGER, page 4)*

# Hard Rock eyes new waters

## *Plans seafood dinner house venture*

**By Ken Frydman**

BOSTON — Hard Rock Cafe Plc., the chain of rock-'n'-roll-themed restaurants, is branching into the seafood dinner house market in partnership with Patrick Lyons, an established nightclub operator here.

Hard Rock and Lyons plan to open a "rich English-style" place, called Flynn's, on the site of the former Jason's restaurant on Newbury Street, a spokesman for the venture said.

"It's too soon to tell, but if Fynn's is successful in Boston, we'll look into opening other ones around the country," he said.

Lyons owns and operates half a dozen well-known local nightclubs, including Axis and the Metro on Landsdowne Street. He is also teaming up with Hard Rock co-founder Isaac Tigrett to open a Hard Rock Cafe here in September on Clarendon Street.

"Isaac approached Patrick about managing the new Hard Rock because of his nightclub record in Boston," the spokesman said.

Like its sisters in London, New York, Dallas, Stockholm, and Reykjavik, Iceland, the Boston Hard Rock will be decorated with rock-'n'-roll memorabilia.

The other Hard Rock Cafes—located in Chicago, Los Angeles, San Francisco and Houston—are owned and operated by Tigrett's onetime partner, Peter Morton.

## FOOD WATCH

### *Rome sans flamingo tongues*

NEW YORK — Cave Canem, a four-month-old restaurant here, is attempting to bring back the culinary glory that was Rome.

The $2 million restaurant—recalling, in theme at least, Restaurant Associates' lavish Forum of the XII Caesars, which closed in 1975—features a studiously researched menu that owes much to the premier cookbook writer of Imperial Rome, Apicius. Chef Tom Gamache said the kitchen tries to re-create the authentic recipes as closely as possible—except in cases where the odd flamingo tongue or calf's womb is called for. "Then we alter that particular ingredient," he explained.

Cave Canem—which means "beware of the dog" in Latin—offers such dishes as scallops seasoned with Roman spices cooked in extra virgin olive oil and served with leek root boiled in oil; a ragout of lamb, chicken, carrots, onions, reduced wine, and 15 different herbs, including basil, lovage, thyme, and mint; wild pheasant with mushrooms and sting ray; and grilled whole snapper stuffed with scallops, prawns, lobster, arugula, and prosciutto. —Paul Frumkin

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COEX: Orlando market study ..... Feb. 29

## NEWS DIGEST

# Po Folks seeks protection under bankruptcy code

NASHVILLE, Tenn. — Po Folks Inc., the 168-unit family restaurant chain, has filed for protection under Chapter 11 of the federal bankruptcy code.

In addition, its president, Clyde E. Culp, and chief financial officer, Walter J. Spear, have resigned. No successors were named.

Po Folks, which lost $17.8 million for the fiscal year ended Sept. 17, said it would be unable to pay $1.5 million in interest due on a $18.5 million long-term debt.

The 168 Po Folks units, which specialize in home-style Southern fare, would remain open, an executive said.

# Industry loses attempt to block tip tax measure

WASHINGTON — The food-service industry has lost its battle to block federal legislation requiring employers to pay Social Security taxes on employee tips.

The defeat, which industry trade groups had anticipated, is expected to cost food-service employers more than $100 million this year.

The controversial measure was included on the comprehensive compromise spending bill that President Reagan signed into law shortly before Congress recessed for the holidays.

# New York restaurants face tough new no-smoking law

NEW YORK — Restaurants with more than 50 seats must set aside at least half their seating for non-smokers under provisions of a tough new antismoking bill passed by the City Council and expected to go into effect in April.

Smoking would still be permitted in restaurants with 50 seats or less. Bars and cocktail lounges in restaurants are exempt.

# Ill. association, brewer split New Year's cab rides

CHICAGO — The Illinois Restaurant Association and Anheuser-Busch paid for all New Year's Eve rides on Chicago Transit Authority buses and trains between 8 p.m. and 6 a.m. New Year's Day.

Some 250,000 people were expected to take advantage of the alternative to driving. The restaurant association began the program last year in a move to prevent holiday revelers from drinking and driving.

# Western Steer management buys controlling stake

CLAREMONT, N.C. — A Western Steer Mom 'n' Pops management group has gained a controlling interest in the steak house chain through the $4.9 million purchase of a 15- percent stake from Marshall Digh, who stepped down as chairman, president, and chief executive.

The group, led by executive vice president Charles F. Connor and director Richard S. Howard, now holds 40 percent of Western Steer's outstanding stock. Connor moved up to president and treasurer, and Howard was named chairman and chief executive.

The move followed an unsuccessful attempt by financier E.W. Kelley to take over the company. Digh had said before Kelley's acquisition attempt that he wanted to sell his interest and spend more time on his farm.

# Greenfield exits market with Dixie closing

CHICAGO — Dixie Bar and Grill, Roger Greenfield's last remaining restaurant, has closed. The shuttering came a few weeks after Greenfield filed for Chapter 11 reorganization.

Dixie, a Cajun and seafood restaurant, was a yuppie hot spot when it opened two years ago. However, opening two less successful restaurants and a banquet room at Dixie in rapid succession created debts too large for Greenfield to handle. All four of his previous restaurants have closed.

# Index off 2.9 points

2.9

NEW YORK — The Nation's Restaurant News Stock Index opened the new year last week at 152.5, not far from where it began in 1987.

The 84-issue market-value gauge rang out the year with a 2.9-point decline in the holiday-shortened week ended Dec. 31 and down 6.0 points for the year.

Meanwhile, the Dow Jones Industrial Average lost 60 points in its final week, closing at 1,938.83, a 42.88-point gain from its position at the beginning of the year.

On the full 150-issue listing—which includes hotels, conglomerates, and key suppliers—price losers beat price winners 2 to 1 in the latest week as only 33 gained, 86 declined, and 31 were unchanged.

Shoney's operator Restaurant Management Services was the latest week's leading volume gainer. Po Folks, which went Chapter 11, led the percentage-price losers' list. Penny stock Capt. Crab led the relative winners' tally.

**More financial news, pages 77-78**

# Taco Viva converts units to Wings 'N Things stores

POMPANO BEACH, Fla. — Taco Viva, the struggling 60-store Mexican fast feeder, said it had signed an agreement under which as many as 10 units will be converted to Wings 'N Things restaurants and operated by a franchisee of that chain.

The Wings 'N Things licensee, MJM Investments, is under the direction of Malcolm Hare, a former president and co-founder of the Po Folks chain. Wings 'N Things specializes in Buffalo-style chicken wings.

# Carnegie Deli's Steiner dead at age 48

NEW YORK — Leo Steiner, 48, co-owner of the famous Carnegie Deli here and a well-known wisecracking star of local television ads, died of complications from a brain tumor.

Steiner and his partners, Milton Parker and Fred Klein, bought the world-renowned Seventh Avenue delicatessen in 1976. They have since opened branches in Atlantic City and Secaucus, N.J., and Tysons Corner, Va.

Steiner, who previously owned Pastrami & Things, cured his own pastrami and corned beef in the deli's cellar. The Carnegie Deli's star-studded clientele includes Henny Youngman, Jackie Mason, and Woody Allen.

# Carlyle extends offer for Chi-Chi's shares

LOUISVILLE, Ky. — The Carlyle Group, a Washington-based investment partnership, postponed until Jan. 15 its $9-per-share tender offer for all common stock of Chi-Chi's Inc. that it does not already own.

Chi-Chi's said it is still considering Carlyle's $192 million tender offer as well as other "possible alternatives."

Carlyle held a 7.5-percent stake in Chi-Chi's before it launched its takeover attempt in mid-December. The investment concern's partners include two former Marriott Corp. financial officers, Stephen L. Norris and Daniel A. D'Aniello.

# Reliance sweetens bid for Days Inns stock

ATLANTA — Reliance Capital Group L.P., the largest stockholder of Days Inns Inc., the economy-priced lodging chain, has sweetened its tender offer for all Days shares it does not already own.

Reliance, which purchased Days in 1984 and sold it to the public a year later, raised its per-share bid to $7.75 in cash and $2.25 in face value pay-in-kind deferred stock. Previously Reliance had offered $7.50 and $2.

# Sherman builds drive-thru-only chain

By Rick Van Warner

LOUISVILLE, Ky. — After failing in his attempt to acquire a restaurant chain, former Church's Fried Chicken president Richard Sherman has shifted his attention to building one.

Sherman, whose bid to take 1,500-unit Church's private collapsed about six months ago, is now leading 46-unit Rally's, a fledgling drive-thru-only chain.

"What really excited me was the opportunity to be involved in the birth of a company," said Sherman, a 44-year-old food-service veteran, who joined Rally's Inc. in July as president and chief executive. "It's a growth concept."

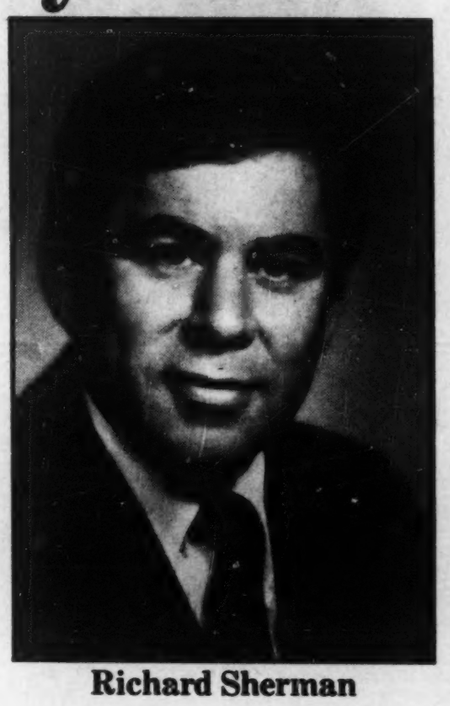
Rally's, which is based here, is serving up a low-price, limited menu anchored by quarter-pound hamburgers. Founded in 1984 with a unit in Nashville, Tenn., the privately held company currently operates restaurants in 10 states.

Rally's is among a sprouting field of drive-thru-only chains capitalizing on consumer demands for greater convenience and lower prices. Tough industry conditions, particularly in the fast-food segment, have spurred the craze in recent months. The players are enjoying leaner labor requirements, lower start-up costs, and simpler operations.

After a two-year stint as president of Church's, Sherman resigned last February to attempt a leveraged buyout of the fast feeder. After the bid was rejected, he took a month-long vacation at a beach house in North Carolina.

"It was the first time I'd ever taken more than a week and one-half for vacation," he said. "I enjoyed my time at the beach. The fish were biting."

But before he could get too comfortable, the phone started ringing. "I had a few distinct opportunities," he said. "I viewed the Rally's opportunity as the most attractive. It's exciting, constructive. So far I'm very pleased."



Richard Sherman

# Scoggin re-emerges to head take-out Italian chain

By Peter J. Romeo

DALLAS — Daniel Scoggin, the driving force behind TGI Friday's until his ouster 15 months ago, has returned to food service as chairman of a new concept that retails uncooked pizzas that patrons heat at home.

Juliano's has three units in Dallas, and three more are scheduled to open in January, said president Larry Gaffe.

"We see it as a franchisable concept, but we want to work out the bugs before we talk about franchising," Gaffe said. He declined to describe the Juliano's concept and the chain's long-term growth plans.

Through his new job, Scoggin has stuck his toe into what is emerging as a new food-service segment, where operators sell ready-to-cook meals that patrons heat and eat at home.

For instance, Godfather's, Pillsbury's 600-unit pizza chain, is testing cook-your-own pies in selected sites.

Papa Aldo's sells take-and-bake pizzas in 80 units in the Northwest and recently granted a franchise to a Tokyo-based concern that plans to open 20 outlets in Japan.

Harris Cooper, longtime president of International Dairy Queen, recently resigned to launch a new venture, called Telechef, which delivers reheatable meals to consumers' homes.

And General Mills' Restaurant Group is eying a new business called Order Inn, whereby microwavable dinners are delivered to patrons.

Scoggin, the son of a chef and waitress, was out of the country and could not be reached for comment.

A strong-willed entrepreneur, he transformed Friday's from an offbeat bar concept into the dinner house segment's sales leader. He stewarded the 130-unit chain for 12 of its 22 years.

*A strong-willed entrepreneur, he transformed Friday's from an offbeat bar concept into the dinner house segment's sales leader.*

Scoggin, age 50, was dismissed as Friday's president and chief executive in the fall of 1986 after failing to reverse a two-year decline in profits.

Curt Carlson, Friday's chairman and largest shareholder, tapped J. Michael Jenkins, a longtime veteran of the rival Bennigan's chain, to succeed Scoggin. Jenkins is orchestrating a back-to-basics turnaround that entails decentralization of administrative functions, retraining employees, and slashing unit expenses.

The effort yielded a $2.5 million net income for the third quarter ended Sept. 28, compared with earnings of $283,000 for the same period of the prior year.

After he was fired, Scoggin filed a lawsuit alleging that Friday's had violated his employment contract. The still-pending suit seeks $1 million in damages.

Scoggin exhibited an unusual management style at Friday's, mixing a hefty dose of philosophizing with direct involvement in even mundane operational matters.

Former subordinates and acquaintances have described him as a hands-on leader with bounding energy, ideas, and ego. Several have commented that he is at his best in an entrepreneurial situation.

In 1970, after lunching in one of the three Friday's units open at the time, Scoggin resigned as a high-level executive of Boise Cascade to indulge his entrepreneurial yearnings. He chose Friday's as the means.

Scoggin began as a franchisee of the then-fledgling chain's fourth store, in Dallas. He and his partners eventually switched from franchise to franchisor, acquiring Friday's licensing rights from New York restaurateur Alan Stillman.

Hungry for expansion capital, Scoggin and his co-investors sold Friday's to Minneapolis-based Carlson Cos. in 1975. The deal apparently stipulated that Scoggin would remain at the helm.

Carlson, which also operates the Country Kitchen family restaurant system and the Radisson hotel chain, sold 15 percent of the company to the public in 1983.

During his tenure at Friday's, Scoggin midwifed two new concepts: Dalts, a 1940s-style grill that was expected to have a broader market than the Friday's concept did, and Fast Friday's, a fast-food version of Friday's.

Scoggin was planning to spin off a third concept, an upscale fast-food outlet, at the time he was ousted.

Fast Friday's has been phased out. Dalts performed well during its early years. However, Friday's is currently looking at the concept with a critical eye.

"Dalts has yet to be proven as an expansion concept," Jenkins said at a recent investors' meeting.

# Hamburger Hamlets sold

(Continued from page 1)

home town, Beverly Hills, Calif.

Officials of the five-year-old Weatherly group of investors and securities traders, including managing partner Thomas A. McFall, did not immediately outline their plans for the other restaurants. Former Weatherly acquisitions have included a company that makes ice cream and another that manufactures diapers.

The sale pact with Weatherly, which includes a five-year term of consultancy for Hamburger Hamlets' founders, is "a deal with heart," said Marilyn Lewis, the erstwhile model and fashion designer who is the company's chairman and chief "conceptualizer."

"Restaurant companies have tried to take us [over] for years and years" but always wanted to "push us out and give jobs to their nephews," Lewis explained. Conversely, Weatherly "is not in the restaurant business," she said. Weatherly officials, acknowledging their lack of food-service operating expertise, affirmed their support for the Lewises' continuing roles.

"We're very excited," said president Harry Lewis, the former Warner Bros. movie actor who heads a Sherman Oaks, Calif.-based management team including Paul Brockman, finance vice president; David Fox, operations vice president; Joseph Lordon, human resources vice president; and Fran Pomerantz, human development vice president. Hamburger Hamlets' 1,600 employees are "looking forward to doing what we've always done," Lewis said.

The full-service Hamburger Hamlet chain began in 1950 as a simple, Sunset Strip cafe that catered to a Hollywood clientele. It later evolved into a string of show-biz-themed, carpet-and-chandelier grills in the upper-midscale market. Distinctive menu fillips include a signature lobster bisque, a rotisserie chicken, and fancy hamburgers named after the Lewises' celebrity friends.

**Stock goes public in 1969**

Hamburger Hamlets began selling its stock publicly in 1969. In addition to its original Los Angeles market, the chain operates restaurants in the Washington, D.C., area as well as one in Chicago.

The Lewises' next project will be the fall opening of Hamburger Hamlets' planned Metro restaurant. The West Los Angeles outlet will complete the company's $8 million, three-year-long diversification here into high-ticket operations, including Hamlet Gardens, Downtown Grill, and Kate Mantilini.

Further expansion may come under the guidance of the Lewises. "We stay on for five years; nothing changes," Marilyn Lewis said.

In fiscal 1987 Hamburger Hamlets' sales of $44.8 million were up 15.2 percent from $38.9 million in the prior year. However, the company said the costs of its recent expansion whittled annual net profit in 1987 down to $508,700, from $1.7 million a year earlier. Marilyn Lewis has predicted that the chain's upscale diversification strategy will yield an earnings surge by the end of the decade.

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Vol. 22, No. 2 January 11, 1988

MARKETING

# *Revival of Mac Tonight campaign under consideration*

Even though Mac Tonight hasn't been seen on television since last September, and even then for only a short time, he has not been forgotten.

Around the country he's been talked about and copied. His moonhead face was a favored Halloween costume from coast to coast, and a big national newspaper used him to sell papers. USA Today urged consumers to order a subscription "and make

it Mac Tonight," with a $5 McDonald's gift certificate booklet thrown in.

And the "Spokeshead of the Year Award" was recently bestowed on him by New York magazine, about the same time The New York Times gave a full-page to the character's making.

If there is any truth in the saying "If you can make it here [New York], you can make it anywhere," then this hip, piano-playing moonman with the dark shades should be someone his sponsor—McDonald's—would want to keep around for a while.

Yet the chain has made no decision on Mac Tonight's future. That's despite the fact that he was very much responsible for McDonald's having the highest top-of-mind awareness of all advertisers in September, according to a poll by SRI Research Center for Advertising Age.

But there is some hope McDonald's will not bury such a popular advertising vehicle, even though he is a marked departure from the usual Apple-Pie-and-Motherhood-type of figures the hamburger chain usually features in commercials.

According to the Los Angeles advertising agency that created Mac Tonight and the commercials he starred in, McDonald's corporate people in Oak Brook, Ill., are "closely evaluating" whether to extend his life on a national basis. They have, however, been doing that for at least three months now.

What could be making them so hesitant?

According to Roy Cowan, vice president and management supervisor of the McDonald's account for Davis, Johnson, Mogul & Colombatto Advertising Inc., the moonhead's creators, he must be fit into a "national theme" as well as somewhere in the chain's national advertising calendar, which is already quite crowded.

Although the Mac Tonight campaign was originally made for the McDonald's cooperative in Southern California, it clearly outgrew its provinciality when it went national for much of last September. "Mac Tonight has grown larger than a local character," Cowan said.

"Everyone is anticipating the character will come to life in 1988," he added. "But nothing is concrete now." Comments from McDonald's could not be elicited as of this writing.

* * *

**Mail order steak:** The steak served at Morton's of Chicago has been raved about by many a newspaper and magazine. Now anyone in the country can order six or eight steaks through the mail.

A mail order business, supported in advertising by table tents at each of the eight Morton's of Chicago steak houses around the country, is in full swing. The signature 24-ounce porterhouse has been reduced to 20 ounces; six can be had for $115. An even smaller size, 16 ounces, can be purchased for $98. Shipping is included.

Prime boneless New York sirloin, filet mignon, and milk-fed rib veal chops are also on Morton's mail order list.

The prime, dry-aged meat from Stockyard Packing in Chicago, supplier of all the restaurants, is shipped frozen via United Parcel or Federal Express. Morton's insists the mail order meat has the same specifications as the meat served in its restaurants.

"You cannot buy this quality steak in a store," said Arnie Morton, who is still a consultant to Morton's even though he sold the chain to a consortium of investors last fall. Klaus Fritsch, president of Morton's, said the mail order sideline is "a natural," although he ventured, "I don't figure it will be a big money maker."

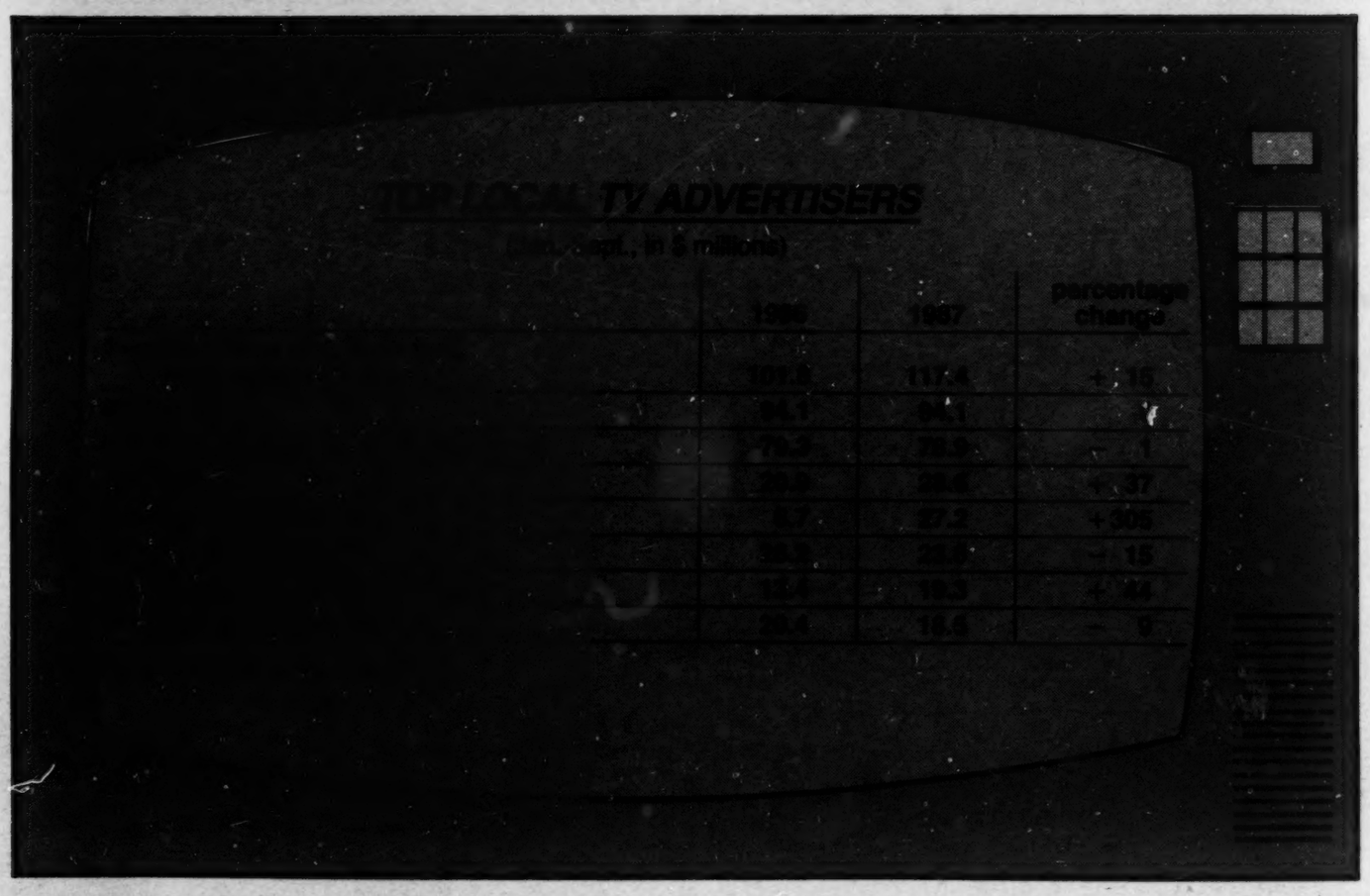
* * *

**Steak surprise:** There is good news for Morton's and others who have a lot of steak on their menus. Although American consumption of red meat at home has declined, its intake away from home has actually increased, according to The Lempert Report, a food-marketing newsletter.

Lempert researchers reported red-meat consumption away from home increased by 7.3 percent from 1981 through 1986, although consumption in the home declined during those years by 11.1 percent.

"Many health-conscious consumers, who limit their intake of red meats at home, still indulge themselves with filet mignon, rack of lamb, or roast beef when they are dining out," The Lempert Report analysts concluded.

## AD WATCH




**NEW YORK — Restaurants and drive-ins were the biggest spenders on local television advertising during the first nine months of 1987, according to the latest report from the Television Bureau of Advertising.**

**In addition, the restaurant and drive-in category, which spent $983 million on overall television advertising during the period, was the third-largest spender among various segments, following food and food products ($1.9 billion) and the automotive industry ($1.7 billion). It was a 10-percent increase from the figure for the same period in 1986.**

**But the largest dollar gains were posted in local television advertising, up 5.9 percent, to $4.8 billion.**

**Restaurants and drive-ins spent more on local television advertising than did any other product category, including automobile dealers, supermarkets, banks, and department stores. All told, some $601 million was expended during the first nine months of 1987, up 8 percent over the preceding year's same time period, the TvB reported.**

**In contrast, auto dealers, in second place, spent only $280 million on local television advertising during the same period of 1987.**

**Among the top 15 local television advertisers during the first nine months of the year were Pepsico (Pizza Hut, Taco Bell, and Kentucky Fried Chicken), which spent a total of $117 million; McDonald's with $94 million; Pillsbury (Burger King and Godfather's) at $78 million; and fourth-ranked Walt Disney, with $37 million.**

**While the restaurant category spent $601 million in local television advertising, it spent only $371 million on networks. That amount, however, was up 13 percent from the 1986 figure, the TvB said.**

**Of the top 15 network television advertisers, McDonald's was the leading restaurant contributor, having spent $152 million during the nine-month period. It was the sixth-biggest network spender, following Procter & Gamble, Philip Morris, Kellogg, Unilever, and General Motors.**

**The TvB based its findings on an analysis of Broadcast Advertisers Reports data.**

## NRN MARKETING DIGEST

### Godfather's hires Fallon McElligott

OMAHA, Neb. — Pillsbury Co. has pulled more restaurant advertising business away from J. Walter Thompson, this time shifting Godfather's $6 million-plus account from JWT's office to Fallon McElligott in Minneapolis.

"There was no problem with the creative coming out of JWT. It was largely a matter of finances," said a Godfather's spokesman. The 600-unit pizza chain's "pizza emergency" commercials won a 1987 Nation's Restaurant News E.A.T. (Excellence in Advertising on Television) Award.

Last fall, in what is believed to be the biggest advertising agency switch ever, Pillsbury's Burger King reassigned its $200 million-a-year domestic account to N.W. Ayer.

### BK seeks help from Superman

NEW YORK — Burger King and Superman are joining forces in celebration of the superhero's 50th birthday this February. The nationwide promotion, running through March, features four Super Powers meal packs. A 50th birthday coin, a Super Powers door shield, a Batman toothbrush holder, and an Aquaman floating toy are premiums in the promotion.

### Maine McD's co-op switches agency

BOSTON — The 49-unit Maine McDonald's operator association has moved its $1.8 million account from Arnold & Co. to HBM/Creamer.

HBM/Creamer creates advertising for McDonald's franchisees, including 95 restaurants in the Pittsburgh area.

### Lamb Council slates spring promo

BOULDER, Colo. — The American Lamb Council has announced its spring 1988 campaign—"Fresh American Lamb: Always a Change of Taste." Thirty-second spots, pitched to upscale women, will air on cable television this spring.

### Arby's tests use of credit cards

ATLANTA — Arby's, the roast beef sandwich chain, is allowing customers to pay with Visa and MasterCard credit cards at 19 company-owned restaurants in the Cleveland area. The six-month test is the company's first foray into electronic payment systems. Similar devices are being tested by Wendy's, Roy Rogers, and Burger King, among others.

"We feel the cards will stimulate family business," said Mark Stine, an Arby's spokesman. "Just because Burger King didn't get positive results doesn't mean it won't work for us," he said.

FINANCIAL NEWS

# Foreign countries outpacing U.S. in spending on restaurant meals

By Deane Evans

WASHINGTON — Although Americans are spending more of their disposable income in restaurants, they still rank well behind consumers in many other countries in regard to the share of total expenditures spent for eating out.

According to a recent study by U.S. Department of Agriculture economists, the percentage of disposable income spent in restaurants in 30 countries around the world ranges from 13.6 percent to a mere 1.3 percent.

The United States ranks about halfway down the list, with consumers in this country spending 6 percent on food away from home in 1984.

Researchers used 1984 figures to determine dining-out spending as a share of total expenditures for most of the countries. But in a few cases the most recent available figures were recorded for earlier periods.

**WORLDWIDE EATING OUT TRENDS**

(% of disposable income spent on food away from home)

| Nation | Percentage |
|---|---|
| Cyprus | 13.6 |
| United Kingdom | 12.0 |
| Austria | 11.0 |
| Zimbabwe | 9.5 |
| Jamaica | 8.5 |
| Italy | 8.4 |
| France | 7.1 |
| Greece | 6.3 |
| Canada | 6.1 |
| United States | 6.0 |
| Puerto Rico | 3.1 |
| Sweden | 3.0 |
| Ireland | 1.4 |
| Sri Lanka | 1.3 |
| India | 1.3 |

Source: U.S. Department of Agriculture

The study revealed that the world's big spenders percentage-wise in restaurants, cafes, and hotels were Cyprus, 13.6 percent; the United Kingdom, 12 percent; and Austria, 11 percent (all 1984 figures).

Healthy tourist and travel environments most likely account for the large share of spending away from home in these countries, USDA researchers said.

*Healthy tourist and travel environments most likely account for the large share of spending away from home in the top three countries, U.S.D.A. researchers said.*

Substantial expenditure shares for dining out in Jamaica (8.5 percent in 1982), Singapore (8.4 percent), Italy (8.4 percent), and France (7.1 percent) may also be influenced by travelers.

However, less likely tourist countries spent larger percentages in restaurants; for example, Colombia (9.8 percent, 1983) and Zimbabwe (9.5 percent, 1983).

Other countries that ranked above the U.S. in the percentage spent for food away from home included Finland (6.7 percent), Greece (6.3 percent), Thailand (6.2 percent), and Canada (6.1 percent).

The Netherlands trailed the U.S. in dining-out share, spending 5 percent in restaurants, followed by Denmark (4.9 percent), Belgium (4.5 percent), Norway (4.2 percent), and Ecuador (4.1 percent). Using older figures, the study found that Malaysians spent 4.1 percent (1978) and Kenyans spent 3.8 percent in 1980.

At the other end of the spectrum, diners in Sri Lanka and India spent the least for restaurant dining, a minimal 1.3 percent in each country in 1984. According to 1982 statistics, the Irish were also thrifty about eating out, putting only 1.4 percent of total expenditures in restaurant tills.

The bottom half-dozen countries, based on restaurant-spending shares, were Bolivia (1.6 percent, 1979), El Salvador (1.7 percent, 1978), Togo (1.9 percent, 1972), South Korea (2.9 percent), Sweden (3 percent), and Puerto Rico (3.1 percent).

In a related area, the study showed that U.S. spending for alcohol as a share of total income was low, 1.4 percent.

In contrast, the Irish spent 12.2 percent of expenditures on alcohol, the largest share among the countries surveyed, researchers reported.

Significant spending shares also went for alcohol in Hungary (12 percent), Poland (11.4 percent), and the Soviet Union (10 percent).

## NRN FINANCIAL DIGEST

### Church's to buy back shares

SAN ANTONIO, Texas — Church's Fried Chicken Inc. said its board had authorized the buyback of 5 million shares of stock — about 13 percent of the outstanding shares.

It was recently reported that the Bass family of Fort Worth had acquired 8.2 percent of Church's stock for "investment purposes." A Church's spokesman said the company was "glad to have the Basses back in as shareholders."

Church's said it was repurchasing shares, which have been selling for as low as $5 each recently, for employee benefit plans and general corporate purposes.

### Shoney's says profit rises 35%

NASHVILLE, Tenn. — Shoney's Inc., aided by a reduction in its tax rate, reported a 35.3-percent jump in fourth-quarter net profit, to $11.6 million, on a 7.5-increase in revenue, to $168 million. The tax rate fell to 43.3 percent, from 55.2 percent the year before.

For the year ended Oct. 25 Shoney's net profit rose 17.9 percent, to $49 million, on a 10.3-percent gain in revenue, to $694 million.

### White Castle names new controller

Blake

COLUMBUS, Ohio — White Castle System Inc. has named a former Wendy's financial executive, William A. Blake, as controller.

He had been international controller at Wendy's Inc. from July 1985 to November 1987. He holds bachelor's and master's degrees from the University of Toledo.

Wendy's also recently lost its chief financial officer, Joseph Madigan, who said he was resigning to pursue other business interests.

### Holiday sells units to joint venture

MEMPHIS, Tenn. — Holiday Corp. said it had sold seven of its Embassy Suite hotels to a joint venture for about $160 million. The joint venture consists of affiliates of the corporation and General Electric Pension Trust.

The company said it expected to report a $5-million quarterly pretax gain from the sale of three of the properties—in Atlanta; La Jolla, Calif.; and Overland Park, Kan.

Holiday said that net proceeds from the sale of all seven hotels would be used to reduce debt.

### Dunkin' Donuts posts $13M profit

RANDOLPH, Mass. — Dunkin' Donuts Inc. reported a 23.5-percent rise in net profit, to $3.3 million, for the fourth quarter, ended Oct. 31, on a 13.7-percent gain in revenue, to $29 million.

For the year, the company said net income rose 9.6 percent, to $13 million, on a 1-percent increase in revenue, to $105 million.

The company now operates three franchised Chili's units in addition to its doughnut shops, and it plans to open at least 50 more units in New England alone.

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**HOW TO USE THE NATION'S RESTAURANT NEWS F.I.R.S.T. SYSTEM**

ALL YOU NEED TO GET STARTED IS THE MAILING LABEL ON THIS WEEK'S FRONT PAGE

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2. When the recording says "Enter F.I.R.S.T. ID number," push the numbers as they appear in the upper right hand corner of your mailing label and then push ##.
3. Next, you will hear "Enter magazine and issue code." Enter these numbers and symbols: 444#727##. (Note: This number changes with each weekly issue.)
4. After hearing "Enter inquiry number," enter the numbers appearing at the bottom on the ads and Product News items that you have chosen. Inquiry numbers range from 1 to 3 digits. Ignore blank boxes. You may make up to 17 requests. For additional inquiries, place another call.
5. To end F.I.R.S.T. call, enter **91##.

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*The Weekly Newspaper of the Food-Service Industry*

**Vol. 22, No. 3** **Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $26.50 a year** **January 18, 1988**

## *Chef seizes the chance to upgrade*

### *Pollin remakes Le Titi de Paris*

**By Carolyn Walkup**

ARLINGTON HEIGHTS, Ill. — When the lease to Le Titi De Paris' site for the last 14 years expired, chef-owner Pierre Pollin seized the opportunity to remake the restaurant into a more comfortable place for both customers and staffers.

"You need to keep your customer interested; you need to change all the time," Pollin said upon reopening Le Titi here.

While the number of seats remains at 80, the dining room is more spacious and more romantic than at the Palatine, Ill., location. Large impressionistic oil paintings and floral arrangements accent the muted gray and mauve colors.

NRN Photo

**Pierre and Judith Pollin in the dining room of Le Titi.**

A bigger kitchen allows room for more cooks to perfect each plate's appearance, and it's the more leisurely dinners that best show off Pollin's forte for plate presentation.

Pollin, one of the 13 Chicago area chefs that were featured in the 1985 "Great Chefs of Chicago" Pub-

*(See POLLIN, page 14)*

## New state rules hike labor costs

### *Parental fringe benefit spreads*

**By Deane Evans**

WASHINGTON — Food-service employers in many parts of the country will face potentially higher payroll costs in 1988 as the result of mandated parental-leave legislation enacted in more than half a dozen states during the past year.

While federal legislators continued to debate national legislation that would require employers to grant leave to new parents, lawmakers in Minnesota, Nevada, New York, Oregon, Rhode Island, and Tennessee passed state measures making maternity or "parental" leave mandatory. California lawmakers also approved a bill mandating "child rearing" leave, but the governor vetoed it.

The mandatory leave requirements vary from state to state in relation to length of time off and the minimum number of employees required for the law to be applicable. However, almost all the new laws contain the controversial requirement for employee reinstatement in the same or equivalent job at the end of the leave period.

For example, the Oregon law that goes into effect Jan. 1 requires the employee to be "restored to the former or an equivalent job without loss of

*(See STATES, page 88)*

## Po Folks starts drive to dig itself out of bankruptcy

**By Rick Van Warner**

NASHVILLE, Tenn. — After filing for bankruptcy protection, Po Folks is searching for ways to amass the bushels of cash needed to keep the 168-unit family restaurant chain in operation.

The company said revenues fell $11.5 million short of total costs during the fourth quarter of 1987, downgrading projected losses for the full year to $17.8 million.

In its Dec. 30 bankruptcy filing, Po Folks acknowledged that it would be unable to pay $1.5 million in interest due this year on an $18.5 million long-term debt.

Analysts expressed skepticism about Po Folks' ability to dig itself out of the financial hole and predicted the company would seek the assistance of a well-heeled outside investor.

"They're going to have to present a very appealing deal to anyone that comes in," said Ross Haberman of R.D. Smith & Co., a New York brokerage. "If it takes them three to six months to find any buyers, the creditors will begin to get itchy."

However, the company's depleted management expressed confidence that the spinoff of a money-eating Wendy's franchise business would free up resources for much-needed improvement in the Po Folks chain, which specializes in home-style Southern fare.

"It gives us a chance to breathe without the Wendy's problems that led us into the demise hanging over us,"

*(See PO FOLKS, page 88)*

## Adtrack: Less bang for the buck

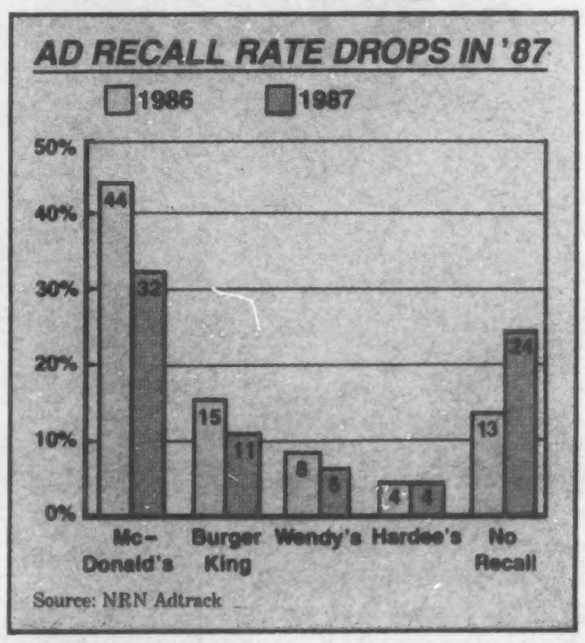
**By Marilyn Alva**

NRN Adtrack

Despite hefty increases in advertising expenditures, the nation's biggest fast-food chains are losing the battle for consumers' attention, according to NRN Adtrack, an exclusive Nation's Restaurant News survey of advertising effectiveness.

When asked what fast-food advertising they could recall, some 24 percent of consumers surveyed in 1987 said they could think of none. The year before, only 13 percent drew a blank.

The decline in awareness comes at a time when overall television spending for restaurant chains grew more than 10 percent from 1986, to $1.3 billion in 1987, according to estimates by the Television Bureau of Advertising in New York.




McDonald's, Burger King, and Wendy's all had lower top-of-mind awareness levels in 1987 compared with 1986.

For example, 32 percent said McDonald's advertising first came to mind last year, a 12-percentage-point drop from 1986, when the chain garnered a 44-percent recall rate.

The random, nationwide telephone NRN Adtrack poll of 1,000 adults per month is conducted by SRI Research Center Inc. of Lincoln, Neb.

NRN Adtrack, which measures unaided recall, will appear monthly in NRN. Respondents are asked "Of all the advertising that you have read, seen, or heard in the last month for fast-food restaurants, which advertising first comes to mind?"

McDonald's reduced recall level dropped for the

*(See ADTRACK, page 88)*

## FOOD WATCH

### *Aussie food hops in*

Fire up the barbie (barbecue) and bring the billy (pot) to a boil. Australian cuisine is hot this year, and it's catching on faster than a jumbuck (sheep) can run from a swagman (poacher).

In Los Angeles the Down Under and Wallaby-Darned restaurants have been introducing Southern Californians to Aussie food, beer, and wine for some time now. But now chains and hotels are saying "G'day, mate" to customers as well.

Bennigan's, the Dallas-based casual dinner house chain, is throwing a monthlong "Australian Fling" at its 213 restaurants nationwide to celebrate Australia's 1988 Bicentennial. The special menu includes shrimp-on-the-barbie (skewered shrimp with mushroom, onions, and barbecue sauce).

The Westin St. Francis hotel in San Francisco is holding "A Taste of Australia" throughout February. The special menu will feature shrimp-on-the-barbie, lobster, Moreton Bay Bugtails, pompano, Sydney Rock Oysters as well as lamb and Aussie meat pies.

—Paul Frumkin

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## NEWS DIGEST

# Pillsbury to shutter 100 under restructuring plan

MINNEAPOLIS — Pillsbury said it would shut down more than 100 restaurants—including 28 Godfather's units, 30 Burger Kings, 30 dinner houses, and the whole 13-unit Quik Wok chain—as part of a comprehensive restructuring program.

The food-processing giant also said that it would renovate 145 Burger King units in New Orleans and Chicago and either upgrade or shutter 50 additional Burger Kings throughout the United States.

In addition, the strategy calls for Burger King to streamline its Distron distribution concern, which also serves of number of other fast-food chains.

The planned cutbacks are in addition to the company's previously announced intention to sell its Bay Street and Key West Grill restaurant chain and Innovative Foodservice hotel feeding operation.

# Bryant leaves CPS after sale of food-service units

MEMPHIS, Tenn. — Robert Bryant, who spearheaded Carson Pirie Scott's transformation into a major food-service powerhouse, has resigned as a high-level executive and director following the company's sale of its contract feeding and concession businesses.

Bryant had been chief executive of Carson's food-service and lodging group, which included the Dobbs International airline caterer, Dobbs Houses airline concession operation, and the Steak 'n' Egg coffee shop chain. All but Toddle House, a second coffee shop chain, and Ridgewell's, a social caterer, have been sold.

Carson had indicated it also plans to sell those businesses to refocus on retailing.

# Koch signs no-smoking legislation into law

NEW YORK — As expected, Mayor Ed Koch has signed into law a tough no-smoking bill requiring restaurants with more than 50 seats to set aside at least half their seating for non-smokers beginning April 1.

Bars and restaurant cocktail lounges are exempt.

# Management group readies LBO of Shoney's South

MEMPHIS, Tenn. — A group led by Shoney's South chairman James Prentiss is preparing to attempt a leveraged buyout of the Shoney's franchisee.

The company said that no official offer has been made, and refused to disclose further details.

Shoney's South operates 170 licensed Shoney's coffee shops and 65 Captain D's seafood restaurants from Nashville, Tenn-based Shoney's Inc.

# Index up 9.7 points

9.7

NEW YORK — The Nation's Restaurant News Stock Index began last week at 162.2, a big 9.7-point gain from the week before.

The Dow Jones Industrial Average, meanwhile, lost 27.52 points in the week ended Jan. 8. In the week's final session on Friday, the Dow plummeted 140.58 points, the fourth-largest one-day drop on record.

Restaurant Management Services, a Shoney's franchisee, led the list of volume surgers. Sizzler Restaurants was among the week's biggest percentage price losers. Southern Hospitality ranked among the biggest gainers.

**More financial news, pages 86-87**

# Winners firms position following Spillman move

NASHVILLE, Tenn. — Winners Corp. president Lonnie Stout II indicated that the fried-chicken chain would resist any takeover attempt by Joseph Spillman, the former Pizza Inn executive who appears to be on a restaurant shopping spree.

A group led by Spillman has informed the Securities and Exchange Commission that it has amassed a 6.9 interest in Winners, operator of the Mrs. Winner's Chicken and Biscuits chain, and that it might seek control of the company.

"The company is not for sale and has consistently taken the position that it should remain an independent business," Stout said.

Beforehand, Spillman purchased nine J.T. McCord's dinner houses for $5.4 million from Pantera's, which outbid Spillman for Pizza Inn last year.

# Paris' La Coupole sold for $10M to Flo Group

PARIS — The owners of La Coupole, a Left Bank landmark here for more than 60 years, have sold the restaurant for $10 milion to Flo Group, a French food-service chain.

La Coupole's main dining room features the artwork of famous French artists who paid in trade for their meals.

# El Pollo seeks help in finding 'partner'

PHOENIX, Ariz. — El Pollo Asado, the 50-unit grilled chicken chain, said it had retained a Los Angeles investment banker to select "a financial partner" who could assist the company "in meeting its capital growth needs.'

The fast feeder has been deeply bruised by Kentucky Fried Chicken's rollout of oven-baked chicken in El Pollo Asado's core market here. Sales at the 25 Asados in the area subsequently dropped 20 percent.

# *Mobil names five-star restaurants*

NEW YORK — The Mobil Travel Guide has bestowed its much-coveted five-star ranking for 1988 on 10 U.S. restaurants—one fewer than last year and two less than in 1986.

Dropped from the five-star listing, which can boost a restaurant's tourist business, was Cafe Chauvron in Miami.

San Francisco's Le Club, which was included on the 1986 listing but omitted last year, failed to regain a berth in 1988.

Of the 10 places given five-star ratings this year, not one featured a distinctively American menu. Eight offered French bills of fare. One, Tony's in St. Louis, Mo., is Italian. And Rancho Del Rio Tack Room in Tucson, Ariz., has Continental fare with some American accents.

The newest addition is Chicago's Le Perroquet, which has appeared only twice before. In contrast, Ernie's of San Francisco is included this year for the 26th time.

**MOBIL TRAVEL GUIDE'S 1988 5-STAR RESTAURANTS**

| Restaurant | Location | No. of consecutive years on list |
|---|---|---|
| Ernie's | San Francisco, Calif | 26 |
| Harraids | Stormville, N.Y. | 11 |
| La Vieille Maison | Boca Raton, Fla. | 10 |
| Le Bec Fin | Philadelphia, Pa. | 4 |
| Le Francais | Wheeling, Ill. | 10 |
| Le Perroquet | Chicago, Ill. | 3 |
| Lutece | New York, N.Y. | 17 |
| Maisonette | Cincinnati, Ohio | 24 |
| Rancho Del Rio Tack Room | Tucson, Ariz. | 12 |
| Tony's | St. Louis, Mo. | 12 |

Source: Mobil Travel Guide

# Judge throws out Cadillac copycat suit

By Alan Liddle

SAN FRANCISCO — A lawsuit accusing a small Mexican restaurant chain of copying distinctive features of the high-volume Cadillac Bar here has been thrown out by a U.S. district court judge.

In a written ruling late last month, Judge Marilyn Hall Patel dismissed the Cadillac Bar's trade dress infringement suit against three-unit San Francisco-based Chevys Mexican Restaurants.

The dismissal comes close on the heels of a ruling by the U.S. Appeals Court here that restaurants can seek "trade dress" protection from competitors who imitate their "total visual image."

Attorneys for Pelican's Wharf Restaurants and Dos Loredos Ltd., owners of the six-year-old Cadillac Bar and other Mexican regional cuisine restaurants, filed suit against two-year-old Chevys in October.

## *Three-unit Chevys victorious*

**Copycat lawsuit: Vivande vs. Vivande**

San Francisco restaurant sues Mamma Leone's parent over name and trademark

Page 17

"Chevys and the Cadillac are as substantially dissimilar as the cars whose names they borrowed," Patel wrote. "Both come with the parts and accoutrements to make them vehicles, but no reasonable jury would confuse them."

Chevy's attorney, James Holden, said he has asked the court to order Cadillac principals to pay his client's legal fees of $20,000.

Cadillac's owners and their attorney, Paul Gutierrez, are evaluating the possibility of appealing Patel's decision.

Gutierrez has said that his clients were not claiming "Chevys is virtually identical to the Cadillac," but that certain elements of the decor and menu were similar enough to give the false impression that the concepts are related.

He said the suit sought a court order barring Chevys from using some of the elements many people have come to associate with the Cadillac Bar, a converted San Francisco warehouse with reproductions of highway billboards on the walls.

Dismissal of Cadillac's suit closely followed a U.S. Court of Appeals judge's decision that "a restaurateur cannot prevent others from using any particular color or feature, but can protect a combination of visual elements that taken together may create a distinctive visual impression."

# Mamma Leone's to reopen doors at new location

By Joe Edwards

NEW YORK — For the first time in memory, Mamma Leone's will miss its annual pre-Lenten Carnevale promotion this year as finishing touches are put on the famous midtown Manhattan restaurant's new home, four blocks deeper into the theater district.

Mamma Leone's, an 82-year-old institution that grossed about $12 million last year, closed up shop in October at its longtime home on West 48th Street off Eighth Avenue to make way for a real-estate project. The reopening at 261 W. 44th St., next door to the historic Majestic Theater, is scheduled for mid-March.

Restaurant Associates is re-creating Mamma Leone's at a cost of "a few million dollars," according to one executive, in a space that formerly housed Kippy's Pier 44 restaurant. The 14,000-square-foot space, spread over three stories, is in the same building as the Milford Plaza Hotel. But Mamma Leone's will have its own entrance and a distinctive facade reminiscent of its former home, said Nick Valenti, president of Restaurant Associates restaurant group.

Mamma Leone's joins a growing list of old-time New York restaurants that have undergone multimillion-dollar renovations in the past year, including The "21" Club and The Rainbow Room.

NRN Photo

**Mamma Leone's in its original location.**

Restaurant Associates, a New York-based food-service company that owns Acapulco restaurants on the West Coast, the Brasserie and other restaurants in New York, and a contract feeding division, has owned Mamma Leone's since 1959.

Mamma Leone's was founded by Luisa Leone on West 34th Street in 1906. The restaurant's new location will be its fourth site.

Valenti said the new Mamma Leone's will seat about 600 guests in seven dining rooms. The main one, on the first floor, will have 36-foot ceilings and will contain marble statues, oil paintings, and artifacts from the old restaurant.

The restaurant will continue to serve huge portions of traditional Italian food in a festive atmosphere, Valenti promised. Most of the restaurant's longtime employees and its entire management staff headed by director general Joseph Montalbano will return.

*Mamma Leone's will have its own entrance and a distinctive facade reminiscent of its former home.*

"We are changing our address, not our style," Montalbano said. "Mamma Leone's new location will offer the same comfort and heartfelt enjoyment of coming home, as it has for so many years."

Mamma Leone's for years has been a must-see destination restaurant for tourists and for theatergoers from New York area suburbs. Carnevale is one of the most popular restaurant promotions in New York. Valenti said the restaurant would hold special Easter promotions to make up for the missed Carnevale this year.

# Perlman dead—founded Lums, built Caesars

MIAMI — Stuart Perlman, co-founder of the Lums family restaurant chain and a driving force behind the Caesars World gaming group, died of a heart attack here at age 60.

Perlman, a native of Philadelphia, launched his entrepreneurial career selling clothing and other dry goods in his home town.

He made his way to Florida in the 1950s, where he and his brother entered the food-service business by opening a moderately priced restaurant called Lums. The business thrived, prompting the Perlmans to grow the concept into a chain best known for its hot dogs cooked in beer.

By the time Perlman and his brother sold the chain in the late 1960s, it had grown to about 400 units.

The Perlmans purchased Las Vegas' Caesars Palace in 1969 for $1 million and parlayed the business into a group of lavish themed casino-hotels.

They sold the chain in 1981 after the New Jersey Casino Control Commission deemed the brothers "unsuitable" to hold the gaming license for the Atlantic City Caesars. The commission accused the pair of conducting business with people believed to have links with organized crime.

Perlman was involved in a number of charitable causes. Among his contributions was his work in organizing and financing a rehabilitation program for juvenile criminals.

At the time of his death, Perlman and his brother were developing shopping centers and residential properties in Florida. The two also ran non-gaming hotels in New Jersey.

Perlman is survived by his wife, Harriet, and three sons, Scott and Richard of Miami and Brett of Atlantic City.

## CORRECTIONS

"1987: The Year in Review," page F8, Jan. 4, mistakenly included Arcadia, a New York restaurant, in a group of restaurants that use flower blossoms to garnish some dishes.

Also, Alain Sailhac, executive chef of The "21" Club in New York, was misidentified as Andre Sailhac in a photograph.

* * *

"Farkas engineers Victoria Station onto right track," page 4, Jan. 4, failed to mention that Chicago-based Heller Financial was the senior lender to, and an equity partner in, Victoria Station Acquisition Corp. The omission resulted from information supplied by the restaurant company.

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Vol. 22, No. 3 January 18, 1988

# Papa Aldo's inks franchise pact with Tokyo firm

## *Royal Foods to open 20 take-and-bake shops*

By Alan Liddle

PORTLAND, Ore. — Papa Aldo's International Inc., the 80-unit take-and-bake pizza chain based here, has signed a multi-unit franchise agreement with Royal Foods Co. Ltd. of Tokyo.

Terms were not disclosed. However, Papa Aldo's president, John A. Gundle, said he expects the arrangement to ultimately result in 20 Japanese units. Royal Foods, he said, has already negotiated leases for three sites, and more are being considered.

Papa Aldo's stores sell made-to-order pizzas that customers bake at home.

Company officials said they expect to have 90 units operating in Oregon, Washington, California, Nevada, Idaho, Hawaii, and British Columbia by the year's end. They projected 1987 sales at $13 million.

The first Japanese unit, located in Kawasaki, is expected to open in March, a Papa Aldo's spokesman reported.

Royal Foods manufactures and distributes frozen pizzas throughout Japan.

"It will be a challenge for us to service the Japanese shops and help maintain our high standards from so far away," Gundle said, adding, "When you consider the size of the agreement, it will be well worth the effort."

Kiyohiko Uchino, president of Royal Foods, said he plans to offer essentially the same types of pizza sold by Papa Aldo's. Royal Foods, he said, already has a crust-manufacturing plant, and Papa Aldo's officials are helping him duplicate the crust used by the chain.

# States pass parental-leave law

*(Continued from page 1)*

seniority, vacation credits, sick leave credits, service credits . . . or any other employee benefit or right which has been earned at the time of the leave of absence."

The Oregon mandate that affects employers with 25 or more workers provides for parental leave for the birth or adoption of a child "until the infant has reached the developmental stage equivalent to 12 weeks." In the case of premature infants, the leave period could significantly exceed the three-month limit. In addition, parental-leave requirements apply in the case of any newly adopted child less than 12 years of age.

Rhode Island lawmakers passed even stiffer legislation, designating a 13-week leave period in any two-year cycle for employees who have been employed for 12 consecutive months. Moreover, the lawmakers extended the law's application to the care of a "seriously ill" child less than 18 years old as well as to the birth and adoption of a child younger than 16. The measure, already in effect, also requires reinstatement to a position with "equivalent" seniority, employment benefits, and pay.

In addition, employers must "maintain any existing health benefits" for the duration of the leave. The Rhode Island legislation applies only to employers of 50 or more workers.

Other states that mandated parental or maternity leave include:

- Minnesota—parental leave of as many as 12 weeks for birth or adoption to be granted by employers of 21 or more workers; continuance of group insurance coverage; reinstatement to a former position or one of "comparable" duties, hours, and pay; automatic pay scale adjustments during the leave period.
- New York—in effect since Oct. 4, 1987, extension of parental leave to parents of newly adopted children under school age.
- Tennessee—effective Jan. 1, mandatory maternity leave "not to exceed four months" for birth or adoption, restoration to previous or "similar" position, applicable to employers of 100 or more. (The Tennessee law contains a loophole that could benefit employers, providing an exemption to the reinstatement requirement if the employee's job is "so unique that the employer cannot, after reasonable efforts, fill that position temporarily. . . .")
- Louisiana—now in effect, mandatory pregnancy leave not to exceed four months for employees of businesses with more than 25 workers.
- Nevada—now in effect, mandatory maternity benefits to be provided by employers who give leave "without loss of seniority" to employees for sickness or disability.

Still other states considered some version of parental leave as the year ended. Among them were Alabama, Alaska, Arizona, Colorado, Connecticut, Florida, Iowa, Massachusetts, Missouri, North Carolina, Pennsylvania, Texas, Washington, and Wisconsin.

Also posing possible payroll cost increases were mandated "continuing health coverage" bills enacted in two states. Earlier this year Connecticut's governor signed into law a measure "broadening" the rights of dependent children to continue "under group health policies or comprehensive health care plans." Nevada's governor signed similar legislation requiring continuation of group health benefits "after termination of employment and for surviving spouses of deceased members."

Among other states with end-of-the-year bills pending that would force employers to extend health benefits are Alabama, California, Delaware, Florida, Iowa, Louisiana, Maine, Massachusetts, Minnesota, New York, North Dakota, and Oregon.

At the same time restaurateurs are keeping a close watch on the most volatile payroll issue, legislation at both state and federal levels to increase the minimum-wage rate. Several states have already passed bills that will raise their rates above the federal one in 1988. Meanwhile, national lawmakers are debating a boost of the federal rate to $3.85 next year, $4.25 in 1989, and $4.65 in 1990. (See "Wage Fight" NRN, Nov. 2, 1987.)

About the only bright spots on the state front for employers worried about worker benefits costs are business tax credits for employer-provided day care programs or "assistance." For example, a new law now in effect in Rhode Island allows employers "who provide real property or rental space for child day care services" to take a credit of up to $30,000 against the business corporation tax.

A broader measure enacted in Oregon provides a business tax credit for amounts spent for "dependent care assistance" through programs meeting certain federal guidelines. The credit would be "equal to 50 percent of the amount paid or incurred up to $2,500 of assistance actually provided to an employee."

# Po Folks struggling for cash

*(Continued from page 1)*

said Carol Koenig, whose responsibilities as marketing manager were recently expanded to include representative duties.

The company said all 168 Po Folks units have remained open since the filing.

Clyde Culp and Walt Spear, who resigned as president and chief financial officer, respectively, after the filing, are serving as consultants to Po Folks chairman R.B. Davenport during restructuring efforts.

Franchisees seemed nonplussed by Po Folks' decision to seek court protection from its creditors.

"The terrible winter we're having in 75 percent of our markets bothers me more than the filing," said franchisee Ron Farmer, president of 12-unit Dinelite. "The short-term negative effect is the publicity that goes along with something like this, but in the long run it will give the company a chance to reorganize and concentrate on operating restaurants."

About 129 Po Folks restaurants are franchised.

Po Folks sought protection under Chapter 11 of the bankruptcy code close on the heels of a long, taxing deal in which the company unloaded its struggling DavCo Foods subsidiary, owner and operator of more than 100 Wendy's, for $16.1 million.

The company used proceeds from the Davco sale to pay off an $8.1 million revolving loan, $4.9 million in Wendy's royalties, and about $2 million in trade debts.

Ironically, DavCo was originally viewed as a wellspring for the cash needed to expand the Po Folks system. But the plan backfired over the past couple of years when the floundering Wendy's units began draining money from the company instead.

"With extremely fast growth compounded with the Wendy's problems, the eye was taken off store operations," said franchisee Farmer. "You can't take your eye off the operations of any restaurants, especially Po Folks."

**From left: Po Folks franchisee-Dinelite president Ron Farmer, Po Folk's franchising vice president John Scott, Dinelite controller Chase Underwood and former Po Folks president Clyde Culp in happier times.**

Although Po Folks' traffic counts have held steady, margins have collapsed in recent years under the weight of high food and labor costs, analysts said.

Po Folks has attempted to bolster sales by slowly moving into the breakfast daypart. In addition, it has strived to firm up midday traffic through the introduction of an express lunch program.

# Adtrack shows recall slipping

*(Continued from page 1)*

year despite the impact of its highly successful Mac Tonite campaign in late summer and early fall, when the chain had a record 52-percent recall rate in one month.

Burger King dropped from 15 percentage points to 11 percent despite its successful Burger Bundles promotion in the summer.

Wendy's International was down two points; 6 percent recalled its ad last year compared with 8 percent in 1986.

Hardee's awareness remained the same, at four points.

Most other chains, including giant Kentucky Fried Chicken, which spent some $40 million on advertising to introduce its new Chicken Littles product, had awareness levels of no more than one or two percentage points.

Nevertheless, McDonald's leads fast-food chains in top of-mind advertising with a 43-percent share of 1,000 people surveyed for NRN Adtrack in November.

Burger King was second with 14 percent, Wendy's was third with 8 percent, and Hardee's next with 5 percent.

After Hardee's, the most remembered ads for November was Taco Bell, with 2 percent.

Arby's, Kentucky Fried Chicken, Long John Silver's, Pizza Hut, and Jack In The Box had only 1 percent recall rates.

KFC was down one full percentage point from some prior months when Chicken Littles were heavily advertised. Burger King was up one point, Hardee's was down a point, while Wendy's remained the same.

### *NRN Adtrack Methodology*

A nationwide sample of 1,000 adults 18 and older is contacted by telephone every month by SRI Research Center Inc. of Lincoln, Neb. The sample is controlled by quota to be proportional to the 1980 census by age and sex simultaneously and by geographic area. A random sample is generated using random-digit dialing. Maximum expected error is plus or minus 3.1 percent.

The Adtrack question: "Of all the fast-food advertising that you have read, seen, or heard in the last month, which advertising first comes to mind?"

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# Independents cry: 'Business stinks'

## *Voice fears that even worse times may lie ahead*

**By Joe Edwards**
**from staff reports**

Independent operators of all stripes are expressing grave concern about what lies ahead in light of soaring commodity prices, increased competition, and economists' forecasts of a recession later in 1988.

"Business stinks," declares the co-owner of a well-known New York tablecloth restaurant not usually associated with hard times, and his pithy assessment is echoed by operators in other cities.

High end, low end, or somewhere in the middle, it didn't seem to make much difference. To be sure, not all operators are worried. But a surprising number are deeply concerned and are putting strategies in place to protect themselves from looming customer count erosion.

Heading the list of worries for 1988 are the soaring wholesale prices of seafood, pork, and other foodstuffs. Operators who were reluctant to raise menu prices last year are wondering how long they can sit by and watch their profit margins shrink.

In Chicago, Chris Carson Jr., whose family owns Carson's, the Place for Ribs, says

*(See INDEPENDENTS, page F3)*

**State of the independent**
Key operators speak out
**Page F1**

Nation's top restaurants
**Page F17**

The interior of The Famous Atlantic Fish Co.

# *New Famous Atlantic kitchens make 'scents'*

**By Ken Frydman**

BOSTON — Why would a seafood restaurant operator in this fish-crazy city rip apart his raw shellfish bar?

To merchandise his New England chowders and fish stews.

Charles F. Sarkis, president of the Westwood Group Inc., a group of 11 casual restaurants and bars around New England, will soon physically restructure and conceptually redefine his two Famous Atlantic Fish Co. restaurants here.

His plan is to add the chowder and fish stew stations to the upfront, open-display kitchens of the Famous Atlantic Fish Cos. at 777 Boylston St. in the city and the suburban Chestnut Hill shopping mall in Brookline.

The combination of sights, sounds, and smells—servers ladling seafood chowders and fish stews and shuckers shucking raw oysters, mussels, and steamers as the aromatic seafood scents permeate the air—is expected to entice passing pedestrians and lure additional diners to the two seafood restaurants.

"We think the expanded open-display kitchens will help us merchandise our preservation and made-to-order preparation," said Joyce Keirstead, general manager of the two-year-old, 147-seat Famous Atlantic Fish Co. in Chestnut Hill.

Not that Famous Atlantic has been suffering from an identity problem or lack of patronage thus far. The two sites—open seven days a week for lunch and dinner—each average 475 customer counts a day and together gross

*(See FAMOUS, page 138)*

# Kaufman seizes Pioneer Take Out

## *Locks out would-be buyers, files Chapter 11*

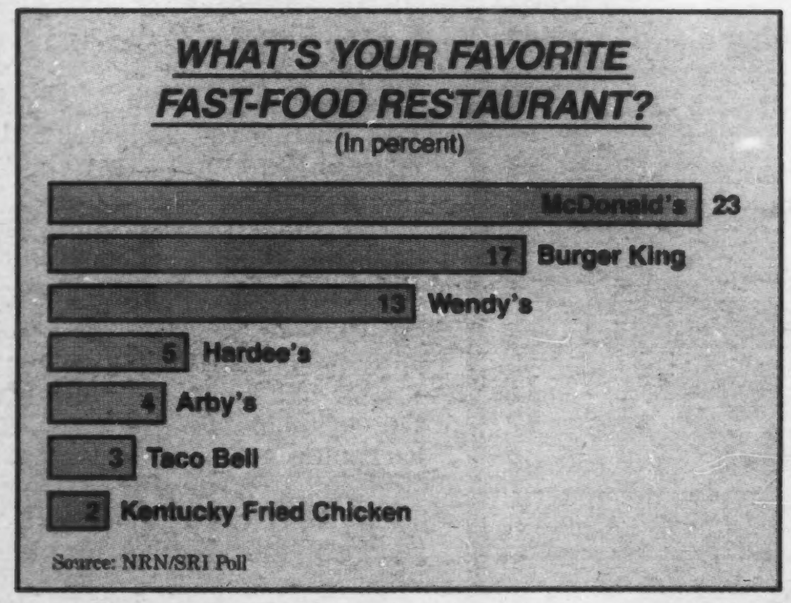
**By Richard Martin**

LOS ANGELES — After locking the supposed new owners of Pioneer Take Out Corp. out of headquarters here, chain founder H.R. "Rick" Kaufman has reclaimed the company and filed for Chapter 11 protection from creditors.

Kaufman said his seizure of the 270-unit fried-chicken chain, less than a month after he agreed to its sale, was prompted by a disputed $100,000 purchase payment withheld by the supposed buyer, an investor group headed by former California legislator and onetime Pioneer attorney Terrence B. Goggin.

Goggin has gone to court, seeking a restraining order to block Kaufman's move.

*(See KAUFMAN, page 138)*




# McDonald's tops list of fast-food favorites

**By Rick Telberg**

McDonald's is winning not only the war for the wallets of American consumers but also the war for their hearts, according to a new and exclusive survey commissioned by Nation's Restaurant News.

NRN SRI Poll

When respondents in a poll conducted by SRI Research Center Inc. of Lincoln, Neb., were asked to name their favorite restaurant, 23 percent of them said they preferred McDonald's.

The NRN/SRI Poll showed that only 17 percent of America's consumers would say that Burger King was their favorite. Wendy's followed with a 13-percent rating. Hardee's had 5 percent.

The survey results also sketched customer profiles for the nation's leading restaurant chains. Women, for instance, prefer McDonald's, while men go for Burger King. Wendy's scores highest in the South, beating regionally based Hardee's, which is stronger in the North

*(See NRN/SRI POll, page 138)*

FOOD WATCH

## *Veggie delights*

WILLIAMSBURG, Va. — Vegetarians, take heart. The days of the tedious steamed-vegetable plate crowned with a sorrowful-looking poached egg are on the wane.

One serious practitioner of vegetable cookery is Marcel Desaulniers, executive chef at the Trellis in Colonial Williamsburg, Va. He and his staff offer a daily-changing selection of seasonal vegetables. The winter menu, for instance, features such products as fennel, leeks, rapini, and salsify. Legumes and nuts are also included, whenever appropriate.

And, perhaps as important, the vegetarian selections at the Trellis are truly vegetarian. Desaulniers uses only vegetable stocks and avoids dairy products and eggs—which means that pastas are out. Moreover, all vegetables are prepared in a separate set of stainless-steel pans.

A few examples of Desaulnier's vegetarian plates are sautéed snow peas, baby carrots, smoked tomatoes, braised navy beans, and grilled yellow potatoes; black-eyed peas with roasted pepper rice, broccoli florets, shiitake mushrooms, and a chiffonade of spinach; and sautéed tarragon-spiced zucchini [illegible], baby green beans, and salsify and grilled red onion and red potatoes, all topped with toasted pecans.

—Paul Frumkin

## INSIDE NRN

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## NEWS DIGEST

# Rocky Rococo founders sell 70% stake to Public Storage

MADISON, Wis. — The founders of Rocky Rococo Pizza, Wayne Mosley and Roger Brown, have sold their 70-percent interest in the 14-year-old company to key executives of Public Storage Inc., a Glendale, Calif.-based developer of mini-storage warehouses. Terms were not disclosed.

Mosley and Brown will resign their posts but will operate 10 franchised restaurants in Madison and three in LaCrosse, Wis. Rocky Rococo's other corporate officers will remain in place, said president Tom Hester.

# Shoney's South forms board to mull management buyout

MEMPHIS, Tenn. — Shoney's South, a franchisee of the Shoney's coffee shop chain, has appointed a committee of "disinterested directors" to consider a $12.25-a-share buyout bid from a management-led group.

It was unclear how many shares are already held by the bidding group, which includes insider board members.

Shoney's South said the proposal is contingent on a number of conditions, including the opinion of Robinson Humphrey Co., which has been retained as a financial adviser.

# Po Folks taps Theoharis as president and ceo

NASHVILLE, Tenn. — With the company operating under Chapter 11, Po Folks Inc. has named John Theoharis, 49, president and chief executive.

Theoharis, previously executive vice president and chief operating officer of the 168-unit home-style restaurant chain, succeeds Clyde Culp.

Revised financial results deepened the company's deficits. Po Folks said it had lost $12.3 million in the fourth quarter and $18.6 million for the year, compared with previously released results of $11.5 million and $17.8 million, respectively.

# Winchell's Donuts sued by partnership investors

LA MIRADA, Calif. — Disgruntled investors have filed two class-action lawsuits against Winchell's Donut Houses L.P., a limited partnership 42-percent owned by Denny's Inc.

The suits, filed in the Chancery Court in Delaware and federal court in New York, allege deficiencies in the offering materials related to the December 1986 sale of limited-partnership interests in the 700-unit chain.

Also named in the suits are Merrill Lynch Pierce Fenner & Smith Inc. and Dean Witter Reynolds Inc., underwriters of the public offering; Denny's Inc., a subsidiary of DHI Corp.; DHI Corp.; and WDH Services Inc., a Denny's subsidiary and general partner of Winchell's.

# Olympic organizers hire ARA as feeding consultant

CALGARY, Alberta — Olympic organizers have hired American contract feeder ARA Services as a consultant to assist the Canadian companies providing food services at next month's Winter Games in Galgary.

With $1.2 billion in sales, Philadelphia-based ARA is the second-largest contract feeder in the United States, behind Marriott.

# Seki leaves China Grill after fight with owners

NEW YORK — After a reported dispute with the owners, Kenji Seki has quit as the vivacious maître d' of China Grill, the red-hot California-Oriental restaurant here, and moved to San Francisco.

China Grill general manager Nancy Robinson, who worked with Seki at Chinois on Main, the Santa Monica, Calif., restaurant after which China Grill was styled, said Seki won't be replaced because he is "irreplaceable."

# Hill quits White House after four-month stint

WASHINGTON — After only four months on the job, White House executive chef Jon Hill has resigned to return to hotel food service, a White House spokesman said.

The spokesman did not reveal when Hill would vacate the job or what hotel the chef is planning to join. Assistant chef Hans Raffert will serve as acting executive chef until Hill's replacement is hired.

The 33-year-old Hill, who came to the White House from the Westin hotel in Fort Lauderdale, Fla., replaced Henry Haller, who had held the top chef's post for 21 years.

# Johnny Rockets shoots into Atlanta market

ATLANTA — A Johnny Rockets 1940s-style malt shop and restaurant, patterned after the very popular place of the same name in Los Angeles, has opened here.

Like the prototype, the Johnny Rockets here features such vintage diner-type fare as hamburgers, a ham-and-swiss sandwich, and an array of fountain specialties.

# Ponderosa adds soup line to hot-and-cold buffet

DAYTON, Ohio — Ponderosa, the 640-unit steak-and-salad-bar chain, has added to its extensive food buffet an array of "homestyle" soups, including french onion, cream of broccoli, New England clam chowder, and cream of potato.

Like dozens of other chains sporting all-you-can-eat buffets, Ponderosa has sought to differentiate its smorgasbord from the rest of the pack by frequently changing the array.

# *Restaurants end '87 with slow sales*

WASHINGTON — Restaurateurs and tavern-keepers ended 1987, not with a bang, but a whimper.

Sales at the nation's eating and drinking places rose at the slowest pace of the year in December, according to the U.S. Commerce Department's earliest and broadest gauge of the month's retail trade activity.

The month's mere 0.9-percent year-to-year gain followed a 2.2-percent advance in November and a 1.1-percent growth rate in October, the government estimated.

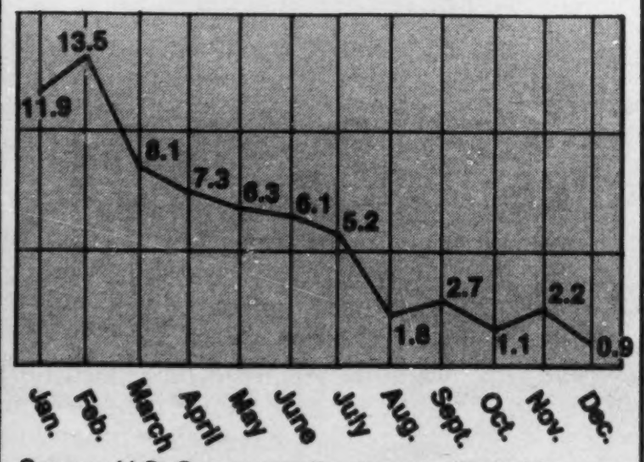
For the year, which started off with double-digit gains in January and February, eating and drinking place sales totaled $152.7 billion, a 5.4- percent increase over the 1986 figure, Commerce said.

By comparison, overall retail sales, which include everything from cars to clothing, rose 3.5 percent in 1987, to $1.5 trillion.

—Rick Telberg

**1987 TRENDS DOWNWARD**

(Eating and drinking place sales, year-to-year percentage change)




Source: U.S. Commerce Dept., not adjusted for seasonality or price changes.

# Pillsbury trims but doesn't amputate

## *Opts for cutbacks at 3 chains*

By Joe Edwards

MINNEAPOLIS — Pillsbury Co.'s latest restructuring of its vast restaurant operations continues a streamlining policy that the giant food company started last year.

News Analysis

Instead of selling one or more of its major fast-food or full-service chains, as some analysts had expected, Pillsbury decided to cut and pare at Steak and Ale, Godfather's Pizza, and Burger King, each of which has experienced some difficulty in recent months.

Pillsbury will close or sell 28 low-performing Godfather's Pizza outlets, 15 Burger King restaurants, and 30 or so full-service restaurants, mostly Steak and Ale outlets.

In addition, the company is closing or selling its 13 Quik Wok fast-food Chinese units.

In the retrenchment program, Burger King will upgrade 145 older restaurants in the New Orleans and Chicago markets, which were acquired from Diversifoods two years ago, and will modernize or close about 50 company-owned, franchisee-operated restaurants.

Pillsbury also plans to "streamline" Distron, a $1 billion-a-year company that distributes food products to Burger King, Godfather's Pizza, and other customers.

Pillsbury disclosed in November that its S&A Restaurant Corp., based in Dallas, was shutting down three experimental restaurants—Bay Street, a seafood dinner house concept; Key West Grill, a Caribbean concept; and Innovative Food Services, which operated hotel restaurants. And last June Pillsbury decided to sell or close 40 full-service restaurants, mostly Steak and Ales.

John M. Stafford, Pillsbury chairman, president, and chief executive, said the restructuring of the restaurant operations and its food products operations will boost profitability.

One analyst estimated that the 103 restaurants that Pillsbury will close or sell have been draining $150 million from operating revenues and $20 million in profits.

Pillsbury expects to incur onetime charges and writeoffs of about $91 million after taxes to be taken in the third fiscal quarter ending Feb. 29.

The charges and writeoffs follow a $21.6 million charge that Pillsbury took in the 1987 fourth fiscal quarter ended May 31.

In fiscal 1987 Pillsbury's earnings were off for the first time in a decade. Profits dropped to $182 million, from $208 million a year earlier, on $6.1 billion sales.

After the current cutbacks, Pillsbury's Restaurant Group will consist of about 5,000 Burger Kings, 600 Godfather's Pizzas, 200 Bennigan's, and 135 Steak and Ales.

"This represents a major change in emphasis for our Restaurant Group," Stafford said. "By concentrating on fewer concepts, we will capitalize on our strengths and improve our overall performance."

The decision to prune restaurant operations was made at a Pillsbury board of directors meeting here.

Earlier streamlining efforts, including the closing of some Steak and Ale outlets and the sale of Bay Street, Key West, and Innovative Food Services, had been disclosed by S&A Restaurant Corp. officials in Dallas.

Some analysts complained that Pillsbury had not gone far enough in its restaurant reorganization and said they had expected the company to sell Steak and Ale, a 20-year-old upscale steak house concept, whose sales have been sagging.

A Pillsbury spokesman in November had said that despite problems with the full-service restaurants Pillsbury remained "very committed" to Steak and Ale and Bennigan's.

Pillsbury said new menus could up sales at Steak and Ale and Bennigan's and a new ad campaign could aid Burger King.

### Pillsbury's plans

**Quik Wok** — All 13 units to be closed or sold.

**Steak and Ale** — 30 of 165 units to be closed or sold.

**Burger King** — 15 of 5,000 units to be closed or sold. 145 units in New Orleans and Chicago to be renovated. 50 others to be upgraded or closed.

**Godfather's Pizza** — 28 of 628 units to be closed or sold.

**Bay Street** — All 16 units to be closed or sold.

**Key West Grill** — Both units to be closed or sold.

**Innovative Foodservices** — All five restaurants to be closed or sold.

**Bennigan's** — All 200 units unaffected.

Source: Pillsbury Co.

# Dine-O-Mat celebrates '50s

*(Continued from page 3)*

service dolphin-head coffee dispenser has been installed near the soda fountain, and original Automat food dispensers cover a section of wall inside the front door. Rock 'n' roll music tapes are played continuously.

In addition, Dine-O-Mat's menu identifies Horn & Hardart dishes that helped make the Automat famous—macaroni and cheese, baked beans, creamed spinach, country fried chicken fingers with home-style gravy, steak fingers with white gravy, meat loaf, chicken fried steak, and several desserts.

The menu also features lighter and more upscale fare that is more typical of the 1980s than the 1930s. Dinner specials on a recent evening included grilled swordfish and shrimp and filet of sole in lemon butter and capers; the regular menu lists a jumbo shrimp grill with fresh vegetables and a split, whole roasted chicken with herb butter. Food items were developed by corporate chef John Barton.

Portions at Dine-O-Mat are huge, and prices are high compared with those of other 1950s diner concepts, such as Chicago-based Ed Debevic's where nothing is priced higher than $4.95. Dine-O-Mat dinner entrées are served on oversized plates with salad, fresh vegetables, a large apple muffin, and a choice of mashed potatoes or oven-roasted redskin potatoes. Entrées are priced from $9.95 to $16.95.

The strategy, according to Garcia and Michael A. Gross, Horn & Hardart's executive vice president, is to offer strong price value. Some lunch customers complain about menu prices before they order but are satisfied after they see the portion sizes, Gross says.

"Our biggest complaint so far has been there's too much food," he adds.

Horn & Hardart is trying to keep food costs "in the low 30s," Garcia says.

"We don't want to get into Ed Debevic's low prices," Garcia declares. "We're trying to stay at a level where it's not just people looking for a bargain."

The company says it expects Dine-O-Mat to attract area office workers for breakfast and lunch and neighborhood residents for dinner, when the check average rises to $12 to $14.

Old-fashioned soda fountain treats, including egg creams, ice cream sodas, and banana splits, are expected to draw late-night crowds leaving nearby first-run movie theaters.

Dine-O-Mat cost about $1 million to open, and Garcia projects first-year sales of about $2.5 million to $3 million.

The opening of an additional dining room and bar on the second floor this month will add 70 seats. Dine-O-Mat will eventually stay open round the clock.

In addition to the large portions of food, the most striking elements at Dine-O-Mat are the bright, colorful decor— which includes antique Coca-Cola machines, a $12,000 Wurlitzer jukebox, and lots of neon, formica, and stainless steel—and the role-playing, singing, and dancing service staff.

To staff the restaurant, Horn & Hardart placed help wanted ads for actors and singers.

*The most striking elements at Dine-O-Mat are the bright, colorful decor and the role-playing, singing, and dancing service staff.*

The young men and women hired as waiters and waitresses, hostesses, and counter help assume 1950s identities, with names like Trixie and Skippy; wear hairstyles from that decade; and dance the jitterbug in the aisles.

They wear "I Like Ike" buttons, talk in 1950s jargon ("See you later, alligator"), and hand out little packets of Chicklets chewing gum to customers.

Garcia said Horn & Hardart had been considering developing a diner for a while but was tied up with a remodeling program at its fast-food outlets, the expansion of its franchised Tony Roma's in New York, and a Bojangles' turnaround effort.

"We made the decision to open Dine-O-Mat in November when the site became available, and [Horn and Hardart chairman] Barry Florescue gave the go-ahead," Garcia says.

The idea of opening an old-fashioned diner "excited everybody at the corporate level," according to Garcia, who notes that even Florescue got involved, finding a vintage jukebox in Las Vegas.

Dine-O-Mat's main kitchen is a very narrow space running along the north wall of the restaurant. It is connected to the soda fountain counter up front.

Deliveries are made to the basement kitchen, where food preparation, dishwashing, and storage are handled. Another kitchen on the second floor may be used for additional prep work and parties.

In projecting first-year sales of about $3 million, Garcia says he is looking for a split of 40 percent of sales from lunch and dinner and 20 percent from breakfast.

## CORRECTIONS

"Sbarro signs Sky Chefs as new franchisee," Dec. 14, page 32, erroneously stated that the Sbarro pizza chain had signed Sky Chefs, the in-flight feeder, as a franchisee. In fact, the franchise was granted to Concessionaire, an operator of airport concessions. Concessionaire acquired Sky Chef's concessions business last year.

* * *

"Friendly fights labor crises with new staff programs," Jan. 18, page 3, failed to fully identify John Cauley. He is the president of Friendly Ice Cream Corp.

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# NRN/SRI Poll results

(Continued from page 1)
Central states.

In addition, major chains, such as Arby's, Taco Bell, Kentucky Fried Chicken, and Pizza Hut, scored relatively low, despite massive advertising campaigns and thousands of outlets across the country.

The NRN/SRI Poll is a new, monthly feature of Nation's Restaurant News. In the survey SRI canvasses 1,000 scientifically selected consumers by telephone, yielding results with an error factor of plus or minus 3 percent.

The question this month was "Which fast-food restaurant would you say is your favorite?" Respondents were allowed to mention the first one that came to mind. Fourteen percent had no favorite.

McDonald's six-point margin over runner-up Burger King parallels its lead in sales and units.

**McD's sales up to $14 billion**

McDonald's numbers about 9,900 outlets with systemwide sales of about $14 billion, compared with Burger King's 5,500 units and $5.6 billion in sales.

Wendy's has about 3,900 restaurants; Hardee's, 3,000.

But Kentucky Fried Chicken, with almost 7,000 units, scored a barely perceptible 2 percent in the NRN/SRI Poll.

Arby's, with fewer than 2,000 restaurants, won a 4-percent rating.

Taco Bell, which has 2,700 stores, got 3 percent. Pizza Hut, which some would not consider a fast-food operation, scored 1 percent.

# Kaufman, Goggin do battle

(Continued from page 1)
The Goggin group had functioned as the owners of Pioneer since a sale of the company was announced last month following a protracted search by Kaufman for a buyer.

The company had been beset by declining sales, intense competition, and a class-action lawsuit brought against Kaufman by franchisees, who operate some 240 units.

The suit alleged fraud, antitrust violations, breach of contract, negligent misrepresentation, and the inappropriate lending of advertising payments to other Kaufman-owned businesses.

Pioneer, which operates principally in Southern California as well as in Arizona, Hawaii, and Indonesia, has been barred by the California Department of Corporations from selling franchises until the ownership dispute is settled.

The state imposed a similar ban on franchising temporarily last year after Pioneer's financial solvency was questioned by litigious franchisees.

The franchisees alleged, among other things, that Kaufman had diverted their sublease rent payments into other investments, repeatedly causing them to risk eviction by disgruntled restaurant landlords.

At the time Kaufman agreed to sell Pioneer to Goggin, the company owed an estimated $2 million in delinquent restaurant rents.

Nevertheless, Kaufman claimed that the $100,000 payment withheld from him by the Goggin group made the bankruptcy action necessary. The payment was earmarked for current obligations to landlords and vendors.

Goggin, who was legal counsel to Pioneer during its earlier franchising-ban problems, told franchisees that his group had decided to withhold the disputed $100,000 after discovering that back rents totaled $2 million.

He said the group had been informed during sales negotiations that the figure was only $1 million.

The dispute turned into a power struggle when Kaufman, who owns Pioneer's headquarters building, posted security guards to deny Goggin and his staff access to company offices.

Goggin then set up temporary office space elsewhere, sought a court date to obtain a restraining order against Kaufman, instructed franchisees to deal exclusively with the purchasing group, and ordered the managers of Pioneer's 30 company-owned stores to continue making cash deposits to their usual bank accounts.

However, according to reports, Goggin was initially losing the battle for the loyalty of employees and franchisees.

Neither Kaufman nor Goggin was available to comment on the alleged misrepresentation of the amount of back rents owed by Pioneer.

However, a high-ranking member of Kaufman's executive team, who requested anonymity, said, "I don't know what was represented, but if that were true [that Kaufman had underreported the rents due], then shame on Mr. Goggin for doing such poor 'due diligence' [research]."

And, the Kaufman partisan added, "what's that [the alleged misrepresentation] got to do with paying the current month's rent?"

The $100,000 in dispute is thought to be part of a $1.5 million initial amount the Goggin group agreed to pay toward back rents and other debts.

The anonymous Pioneer executive asserted that any adjustments found to be necessary after a secondary accounting of back rents due could have been made by Goggin out of an additional $6.6 million in payments to be allocated largely to working capital and advertising.

Kaufman's principal motivation in taking the Chapter 11 bankruptcy court action was, the executive said, to forestall 62 different three- and 10-day notices of eviction served on Pioneer units.

Asked if the bankruptcy filing would complicate a ruling on the ownership dispute, the executive said, "If the court decides Mr. Goggin is the owner, it might represent a problem [for him]."

A financial statement filed with the state last October pegged Pioneer's net value at $8.5 million, its assets at about $41 million, and its debts at approximately $32.5 million.

However, the report placed Pioneer's more probable net value in the $3 million range when it raised doubts that the company could ever recoup some $5.3 million in loans to Kaufman's holding company, Transpacific Industries Corp.

# Famous Atlantic shifts tack

(Continued from page 1)
about $100,000 a week on $8.50-per-person lunch checks and $14.50 dinner tabs, according to Keirstead.

As the name implies, Famous Atlantic specializes in fish, from a mussels in Dijon sauce appetizer ($4.95) to entrées of fresh fried clams ($8.95 at lunch, $11.95 at dinner), shrimp kebab ($7.95), and lobster salad ($10.95).

In all, Famous Atlantic features 25 or more seafood dishes and three daily blackboard specials, said company spokesman Matthew Rovner.

Famous Atlantic not only merchandises its service, preparation, and presentation but also emphasizes its menu marketing. The "Blue-Plate Special" features chowder, grilled fish, coleslaw, french fries, and coffee for $5.95 per person at lunch and $7.95 at dinner. The "Famous Atlantic Clambake Special" includes lobster, clams, crab, swordfish, oysters, mussels, potatoes, and corn on the cob, all cooked together in the same pot ($14.95).

"There's a lot of competition in this town between restaurants like Famous Atlantic, Legal Seafoods, No Name, and Skipjack's," Rovner said. "So everybody has to keep thinking of new ways to merchandise and sell their seafood."

**Top sales:** **Ed Weisbrod, left, and Mary Jo Romeo, below, accept honors from Martin J. Feldman, Nation's Restaurant News national sales manager for display advertising. Weisbrod won the first annual David M. Pittman Award, named for a longtime NRN salesperson. Romeo won the All-Around Salesperson Award.**

## WHO ARE THE FAST-FOOD FANS?

(Customer profiles, by percent)

| | |
|---|---|
| **MCDONALD'S** | |
| **Sex** | |
| Male | 46 |
| Female | 54 |
| **Age** | |
| 18-24 | 20 |
| 25-34 | 25 |
| 35-44 | 15 |
| 45-54 | 15 |
| 55-64 | 12 |
| 65+ | 13 |
| **Region** | |
| Northeast | 27 |
| South Central | 28 |
| North Central | 26 |
| West | 19 |
| **Annual Income** | |
| Under $20,000 | 33 |
| $20-$40,000 | 35 |
| $40-$60,000 | 17 |
| $60,000 + | 7 |
| **BURGER KING** | |
| **Sex** | |
| Male | 53 |
| Female | 47 |
| **Age** | |
| 18-24 | 12 |
| 25-34 | 30 |
| 35-44 | 23 |
| 45-54 | 15 |
| 55-64 | 13 |
| 65 + | 6 |
| **Region** | |
| Northeast | 32 |
| South Central | 29 |
| North Central | 23 |
| West | 16 |
| **Annual Income** | |
| Under $20,000 | 25 |
| $20-$40,000 | 37 |
| $40-$60,000 | 20 |
| $60,000 + | 13 |
| **WENDY'S** | |
| **Sex** | |
| Male | 48 |
| Female | 52 |
| **Age** | |
| 18-24 | 12 |
| 25-34 | 26 |
| 35-44 | 23 |
| 45-54 | 17 |
| 55-64 | 9 |
| 65 + | 13 |
| **Region** | |
| Northeast | 14 |
| South Central | 44 |
| North Central | 28 |
| West | 14 |
| **Annual Income** | |
| Under $20,000 | 19 |
| $20-$40,000 | 31 |
| $40-$60,000 | 26 |
| $60,000 + | 13 |
| **HARDEES** | |
| **Sex** | |
| Male | 53 |
| Female | 47 |
| **Age** | |
| 18-24 | 4 |
| 25-34 | 21 |
| 35-44 | 19 |
| 45-54 | 11 |
| 55-64 | 25 |
| 65 + | 21 |
| **Region** | |
| Northeast | 4 |
| South Central | 36 |
| North Central | 60 |
| West | 0 |
| **Annual Income** | |
| Under $20,000 | 28 |
| $20-$40,000 | 40 |
| $40-$60,000 | 17 |
| $60,000 + | 4 |

Source: *NRN/SRI Poll*

3/28/88 C 5150-5

NEWSPAPER

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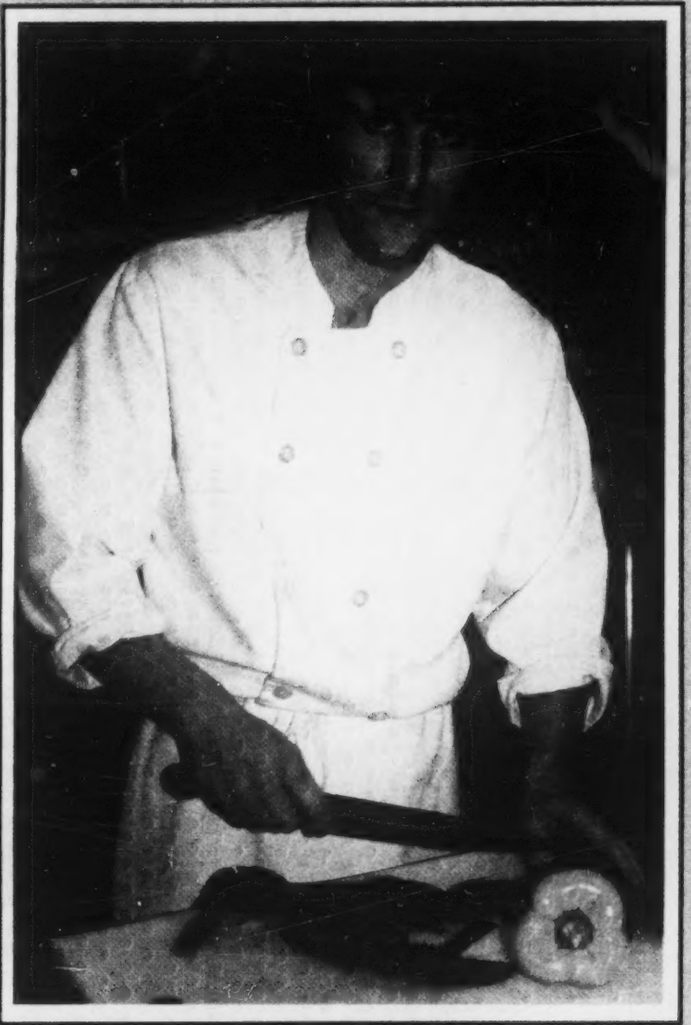
Nation's
# Restaurant News®
*The Weekly Newspaper of the Food-Service Industry*

**Vol. 22, No. 5** | **Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $26.50 a year** | **February 1, 1988**



NRN Photo

**Charlie Trotter, chef and co-owner.**

## *Trotter's: Reins in diners, not profits*

**By Carolyn Walkup**

CHICAGO — A $1.5 million attempt to capture the grandeur of Europe's top restaurants is garnering crowds for 27-year-old Charlie Trotter and his meticulously designed namesake restaurant here.

Nevertheless, profits are proving elusive at the six-month-old restaurant. Trotter has reluctantly raised menu prices because of high food and labor costs, both of which still exceed 40 percent.

"We're still not making any money," he said, even though check averages now are close to $50.

Nevertheless, reservations for 66-seat Charlie Trotter's are filled six weeks ahead for Saturday nights and three weeks ahead for Wednesdays through Fridays—an unusually long lead time for this market.

The response has surprised even Trotter, the boyish chef and co-owner who had the good fortune to open the enterprise with his father's financial backing. The combination of Trotter's cooking and aesthethic instincts and his father's busineas acumen is proving harmonious.

The restaurant is in a converted two-story brownstone in a gentrified neighborhood just west of Halsted Street's Restaurant Row. Guests enter through a small wine bar and waiting area dominated by a half-story wine library.

Meticulous attention to detail is evident everywhere, from the burgundy Viennese print upholstery on the dining room's black lacquer chairs to the custom-glazed china, silver, and

*(See **TROTTER'S**, page 76)*

# NRA fights payroll tip tax

## *Seeks to return burden to workers*

**By Charles Bernstein**

PALM DESERT, Calif. — The National Restaurant Association board unanimously voted here last month to seek redress from the new Social Security tax on employee tips through legislation for a 100-percent tip credit on the minimum wage.

The proposal would ease the burden on food-service employers by shifting the liability for paying Social Security taxes back to the employees.

Immediately upon returning to staff headquarters in Washington, D.C., an NRA delegation, led by government relations director Richard Crawford, went to Capitol Hill in search of a congressional sponsor for such legislation.

The NRA board's action at Marriott's Desert Springs Resort here followed a government relations committee meeting in which members decided to press for the complete tip credit rather than seek repeal of the legislation. De-

*(See **NRA**, page 4)*

**NRA seeks rebound**
In call for action, Grisanti assails industry 'apathy.'
**Page 4**

# Chi-Chi's rolls 3 new concepts

## *Sparks turnaround hopes while takeover bid studied*

**By Rick Van Warner**

LOUISVILLE, Ky. — While management mulls over an unsolicited $9-per-share takeover offer, Chi-Chi's Inc. is forging ahead with three new concepts.

News Analysis

In the latest phase of a turnaround attempt, Chi-Chi's, owner of the 133-unit Mexican dinner house chain, recently launched G.W. Sharkey's oyster bar and grill, Papanada's Border Cafe, and Chajita's Mexican quick-serve restaurant.

The new weapons are designed to bolster the company's presence in current Chi-Chi's markets, provide a more appealing and cost-effective vehicle for penetrating new ones, and serve as the means for reentering areas where the Chi-Chi's concept bombed.

The Chi-Chi's concept has suffered in past years from a sharp decline in liquor sales and an inconsistency in food quality and service that flattened customer traffic. The decline made the company vulnerable to a takeover attempt.

Meanwhile, Chi-Chi's board was hedging on its plans regarding the Washington, D.C.-based Carlyle Group's bid to take the company private for $9 per share, or $185 million to $190 million in the aggregate.

Carlyle extended the deadline for the merger

*(See **CHI-CHI'S**, page 76)*

# Food-service industry faces AIDS problems

**By Deane Evans**

WASHINGTON — The growing incidence of AIDS in the workplace is triggering short- and long-term problems for the food-service industry even though the disease cannot be transmitted through food or casual contact.

Speakers at a one-day seminar, "AIDS in the Workplace," sponsored by the National-American Wholesale Grocers' Association, warned industries involved in food handling to expect several problems from AIDS, including higher health benefits costs, possible discrimination suits, and even business failure resulting from public "hysteria."

Federal food safety officials stressed that food "cannot be contaminated with the AIDS virus" and said there has not been a single incident of transmission of AIDS via food handling.

Nevertheless, a "very real problem" faces employers, particularly food-service operators, because of employee

*(See **AIDS**, page 4)*

**COPING WITH AIDS**
**A checklist for employers**

- **Case management services.** Reduce expenses by coordinating and overseeing management of the health-care plan.
- **Alternative care systems.** Provide less costly outpatient and home health care and assistance with daily chores. Another option: Hospice care.
- **Eligibility provisions.** Opt for health-care plans that limit care for pre-existing conditions.

Source: David Garratt, vice president, Johnson & Higgins Health Group

**FOOD WATCH**

## *Kiwis flavor Chicago*

CHICAGO — Windy City menus will grow a little more fruitful during February as members of Chicago's Fine Dining Association feature an imaginative variety of dishes highlighting kiwifruit.

Restaurant Suntory will be serving a dish called kiwi-maki, a sushi roll of vinegared rice, dried shredded fish, avocado, cucumber, sesame seeds, and kiwifruit. For the salad course, L'Escargot created a lobster salad with kiwi vinaigrette, presented as a whole lobster composed of alternating sliced kiwi halves and lobster meat.

Grilled duck breast with kiwi butter sauce is the invention of Benchers Fish House. Shredded chicken with kiwi, a stir-fried entrée at the House of Hunan, is accented with country ham, ginger, and bean sprouts.

Recognizing the dessert category as a natural for their key ingredient, several places are highlighting the kiwi's sweetness. Kiwi Luciens at Nick's Fishmarket is a creamy confection topped with a glaze of kiwifruit and orange liqueur. Don Roth's River Plaza adds a New Orleans twist with its kiwi beignets with raspberry sauce. **—Carolyn Walkup**

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| Ready-to-Eat: Specialty shops | Feb. 22 |

## NEWS DIGEST

### Chiat and Gehry team up with Baum and Whiteman

LOS ANGELES — Jay Chiat, chairman of the Chiat/Day advertising agency, and Frank Gehry, an architect here, are teaming up with Joe Baum/Michael Whiteman Co., the renowned local restaurant operator, to open a chain of California sandwich shops called Sandwiches.

The plan calls for Chiat to market, promote, and advertise the concept; Gehry, to design a prototype; and Baum/Whiteman, to create the menu.

### Pappas family leases space for 3rd Brisket House

HOUSTON, Texas — The Pappas family, operators of Pappasitos and several other well-known dining places here, has leased a 5,000-square-foot space for a new Pappas Brisket House restaurant.

The clan currently operates two of the moderately priced Brisket restaurants.

The new site is in the Retail Center on Bissonett Drive.

### Piccadilly gets good results from breakfast service tests

BATON ROUGE, La. — Piccadilly, the 117-unit cafeteria chain, is testing breakfast service at two units in its headquarters city here.

Preliminary results have been "extremely favorable," Rodney Garrison, executive vice president and chief financial officer, told Dow Jones.

Analysts said the chain plans to expand the test soon to units in Florida.

### Former Godfather's chief to head Popeye's franchisee

ORLANDO, Fla. — Henry "Pete" Pettis, a former president and chief executive of Godfather's Pizza, has assumed the presidency and chief operating officer posts at Florida Food Industries, a 50-unit Popeyes franchisee here.

He succeeds L. David Horner, who moves up to chairman and chief executive.

Pettis was president of Godfather's when Pillsbury acquired the fast feeder in 1985. At the time the then-900-unit chain was teetering on the brink of bankruptcy. Pettis was succeeded by Herman Cain, who still holds the presidency.

Pettis has also served as vice president of Wendy's international operations and as general manger of the Rustler steak house chain, which was absorbed into Sizzler.

### Campbell Soup negotiating sale of Pietro's pizza chain

CAMDEN, N.J. — Campbell Soup Co. is negotiating to sell its 65-unit Pietro's pizza parlour chain to an unnamed group of investors, Pietro's officials confirmed.

Campbell's acquired Lynwood, Wash.-based Pietro's years ago as part of the a multi-concept foray into the restaurant business. Campbell officials have said the company wants to divest itself of all restaurant holdings so that it can concentrate on its primary business, food processing.

### Holiday Corp. files charter for elderly health-care firm

MEMPHIS, Tenn. — Holiday Corp., the world's largest innkeeper, has filed for a charter of incorporation for a new concern called Holiday Inn Adult Care, which would provide health services to the elderly.

Holiday is the latest of a slew of hospitality chains that eye the so-called continuing-care market, a currently lackluster industry that is expected to blossom as the baby boom generation ages.

Among others, Marriott Corp., Hyatt Hotels, and TW Services, parent of Denny's and Canteen Corp., have all ventured into the continuing-care market in recent years.

### *Storm ravages Southern Calif. coastal restaurants*

LOS ANGELES — Scores of oceanfront restaurants were destroyed or damaged by a violent storm that battered the Southern California coast with 25-foot waves, causing an estimated $68 million in damages.

Food stands, cafes, and upscale dinner houses on and near the Redondo Beach pier near Los Angeles were among the establishments hardest hit along the 250-mile stretch of coastline from Santa Barbara, Calif., to Ensenada, Mexico.

The churning seas ripped away six guest rooms from the Portofino Inn in Redondo Beach. Nearby, diners fled from gale-driven surf as it demolished walls, broke windows, and undermined foundations at the Reuben's, Chart House, Cattlemen's Steak House, and Blue Moon Saloon restaurants. The furnishings of some of the places were washed out to sea.

Breakers washed away a 200-foot length of the Huntington Beach pier, including The End Cafe. Patrons, surprised in the middle of Sunday-night dinners, ran from swank restaurants in Malibu and Laguna Beach as dining rooms flooded with sand and surf propelled by winds that raged up to 50 miles per hour.

**—Richard Martin**

### Neeb joins Dunham to form Pizzeria Uno franchise

Neeb

DALLAS — Lou Neeb, the former head of Burger King, Steak and Ale, and Taco Villa, has joined with local developer William Dunham to form a Pizzeria Uno franchise here.

The licensee, Southwest Uno's Inc., said it planned to develop 12 Pizzeria Uno restaurant-bars in parts of Texas and New Mexico.

Neeb, most recently president of the Taco Villa fast-food Mexican chain, is also a principal owner of GC-DFW, which agreed last year to develop and operate franchised Golden Corral steak houses in the Dallas area.

Neeb served as president of Steak and Ale and has held the position of chief executive officer of Burger King.

### Perry Butler regains control of Perry's in stock buyback

SAN FRANCISCO — Perry Butler, who last year sold the controlling interest in his flagship Perry's, a popular pub here modeled after New York neighborhood saloons, has regained ownership of that property.

Butler said the 1987 deal, which transferred 57- percent interest in the San Francisco restaurant to three employees, had provisions permitting him to repurchase the stock should certain conditions arise. Though he declined to elaborate on what those conditions were, he acknowledged, "They arose, and I jumped at the chance to buy back the stock."

Perry's, which does about $2.5 million in annual sales, is known for its burgers and brunches. In addition to the 19-year-old Union Street business, Butler owns two Mill Valley restaurants: Perry's II and Butler's.

### Officials give Straw Hat go-ahead to franchise

DUBLIN, Calif. — State officials have granted Straw Hat Cooperative Corp., a group of ex-Straw Hat Pizza franchisees, permission to renew licensing the Straw Hat concept.

The 78-unit cooperative was formed when Marriott sold half the 198-unit Straw Hat Pizza chain to Pizza Hut early last year. It could not offer "memberships," or franchises, for several months while state officials reviewed its application for registration as a franchisor.

# NRA seeks tip-tax solution

(Continued from page 1)
bate centered on which approach would be more practical and likely to achieve results.

Earlier, NRA 1987-88 president Michael J. Grisanti lambasted the industry for apathy and called for an intensified grass-roots campaign "to finally win the crucial 1988 legislative battles."

Grisanti warned of skyrocketing costs inherent in legislative measures that "could put a lot of restaurants out of business."

The NRA's legislative proposal is aimed at undermining a new tax levy contained in a compromise deficit-cutting measure that was signed into law in late December. It has been estimated that the new Social Security levy would raise $200 million this year, mainly from restaurant employers.

Based on the resolution adopted here, NRA efforts will center on amending the Fair Labor Standards Act to raise the current 40-percent allowable tip credit to 100 percent. The tip credit was reduced to 40 percent from 50 percent several years ago.

Under the new law, in effect since Jan. 1, employers must pay Social Security, or FICA, taxes on the full amount of employees' gratuity income. Under earlier rules, employers were liable for only the amount of the minimum wage, now $3.35 per hour.

Under the NRA's proposal, tip income would be completely excluded from an employer's tax liability.

A tip credit is the allowance made in the wage laws in order to count tip income as part of the minimum wage. A 40-percent tip credit allows a restaurant employer to pay a minimum wage of $2.01 per hour and to assume that employees earn another $1.34 per hour in tips, to reach the $3.35 minimum.

"Passage of a 100-percent tip credit is essential now," declared government affairs committee chairman Richard Marriott. "We cannot accept taxes on both wages and tips."

NRA sources indicated there would be no compromise or fallback position from the push for a 100-percent tip credit.

Bringing the Reagan administration to task, the board's measure declares that "whereas Congress during the past decade has introduced and passed legislation which treats tips as wages and, as a consequence, levies taxes on those wages payable by both employee and employer, be it resolved that the NRA seek the introduction of legislation to increase the tip credit to 100 percent.

"Further, that the association work on this effort with allied organizations to make our elected officials aware of other previous actions and the effect of such legislation on the food-service industry."

Harris "Bud" Rusitzky, NRA treasurer, emphasized afterward that "the idea is to put Congress on notice that these things will not be tolerated in 1988, a major election year. We are fully prepared to tell senators and representatives that if they won't support measures favorable to the industry, we'll give our money, support, and votes to other candidates."

"Let's face it," an NRA spokesman asserted. "The Reagan administration has been steadily eroding the viability of the food-service industry and taxing us to death."

The industry has suffered legislative setbacks starting with the 1983 requirement that employers have to report tips totaling at least 8 percent of gross sales to the Internal Revenue Service or else break out the individual tips of each employee.

The 80-percent business meal tax deduction limitation was passed in late 1986, followed by an immigration bill making employers responsible for hiring "illegal aliens" and the recent New Year's Eve "surprise" passage of the FICA tax on tips—a measure "hidden" in a deficit reduction bill.

On the other hand, a top NRA government relations source pointed out privately, "a victory or defeat is in the mind. Perhaps the industry should realize that the 80-percent rule instead of a possible 50-percent and the long delay in minimum-wage legislation with prospects for only moderate increases are in many ways a victory."

## *Grisanti assails 'apathy'*

PALM DESERT, Calif. — Two days before the final NRA board open vote on key resolutions at Marriott's Desert Springs Resort, NRA president Michael J. Grisanti renewed a long-standing call for an intense grass-roots "key contacts" program throughout the country whereby restaurateurs and chain leaders would play a stronger role in legislative struggles.

"We fought a long battle against FICA taxes on tips," Grisanti said. "But the reality finally came home that this industry is apathetic about taking the time and effort to fight these crucial battles. We didn't lose this battle. Our industry did."

Grisanti urged all board and NRA members "to think and talk to each other about these issues and how we can win."

"We have lost a few battles and won some," he asserted, "but the really crucial struggles are coming this year. We need to dramatically change our industry's apathetic stance."

He listed the minimum wage, mandated health benefits, and family and medical-leave proposals as prime issues.

—Charles Bernstein

# AIDS in the workplace

(Continued from page 1)
and consumer reaction to rumors—even if untrue—of the presence of an AIDS-carrying worker in a restaurant.

At the NAWGA seminar, for example, former restaurateurs Lawrence and Seija Doolittle told the group they were forced to close their 150-seat Maryland restaurant less than a month after rumors surfaced that their maître d'-bartender had AIDS.

"A restaurant owner will be dead before he knows it," said Lawrence Doolittle. "Once the rumor becomes public, it's too late for the owner to do anything."

The Doolittle incident involved Seija's Place on Park Circle, a Hagerstown, Md., seafood restaurant, launched in July 1987. According to the former owners, a disgruntled fellow employee instigated the untrue AIDS allegation, causing sales to drop $2,000 a day during a three-week period.

The bartender said he'd been tested twice and was AIDS-free, Seija Doolittle recounted.

The employee offered to resign, but the Doolittles refused "as a matter of principle . . . because he was the best-qualified person for that position."

In October the Doolittles closed the restaurant, losing more than $100,000.

According to them, other restaurant owners in the western Maryland town as well as those in the National Restaurant Association, took the position that the restaurant had failed because of "bad management" rather than because of the AIDS rumor.

The Doolittles saw no solution to the threat to restaurants posed by AIDS hysteria, but other speakers at the conference were more optimistic.

"Our first priority is to educate our own work force and then the consumer," said Lester M. Crawford, an administrator with the Department of Agriculture's Food Safety and Inspection Service.

*'Our first priority is to educate our own work force and then the consumer,' said Lester M. Crawford of the Department of Agriculture.*

The service joined Peter Fischinger, AIDS coordinator of the Public Health Service, in calling on industry to "reduce potential hysteria by educating employers and employees," making it clear to them that the disease cannot be transmitted via handling food.

As a first step in the massive job of education facing the food industry, NAWGA announced that the association is preparing a set of training materials for employers that will include both video and printed matter.

The guides will be available later this year, according to John Block, president of NAWGA, who said the group proposes to help the industry "know how to deal with a sensitive and serious subject."

At the same time, other conference speakers warned that negative employee and public reactions to the epidemic are not the only AIDS-inspired problems facing employers. According to David Garratt, Johnson & Higgins Health Group vice president, benefits costs across the board are already on the rise and are expected to continue to increase.

After surveying 101 companies around the United States, forecasters at the Washington, D.C., health-care consulting group projected that by 1990 AIDS would raise costs for life insurance by 7 percent, disability coverage by 8.8 percent, sick pay by 6.6 percent, and health-care insurance by 16.2 percent.

To cope with the new costs, Garratt suggested some areas for employers to investigate:

- Case management services. Employers might reduce expenses by "coordinating and overseeing" management of the health-care plan.
- Alternative care systems. AIDS victims may not require constant hospital care. Employers might be able to provide less costly outpatient and home health care and assistance with daily chores. Hospice care is another option.
- Eligibility provisions. Employers might opt for health-care plans that limit care for pre-existing conditions.
- Local resources. Employers should consider reimbursement plans for "cost effective" services offered by volunteer groups.

Garratt also recommended employers "evaluate the adequacy of their present insurance situations," including a review of pooling levels and assessment of self-insurance plans.

Garratt and labor attorneys representing both unions and management stressed that benefits provided for employees with other communicable diseases must also be provided for AIDS patients. In addition, they said, benefits required for AIDS care must be available to workers with other communicable diseases.

In addition, AIDS-infected employees are protected under the "handicapped" antidiscrimination provisions of the Federal Rehabilitation Act as well as under many state and local laws.

According to Peter Susser, labor attorney for NAWGA, the courts have made it clear that it is discriminatory to fire or refuse to hire an AIDS carrier who is "otherwise qualified" to do the work.

Recent court decisions "go even further to tie the employer's hands," he said, citing the fact that they block the transfer of AIDS-infected workers to a non-food-handling position.

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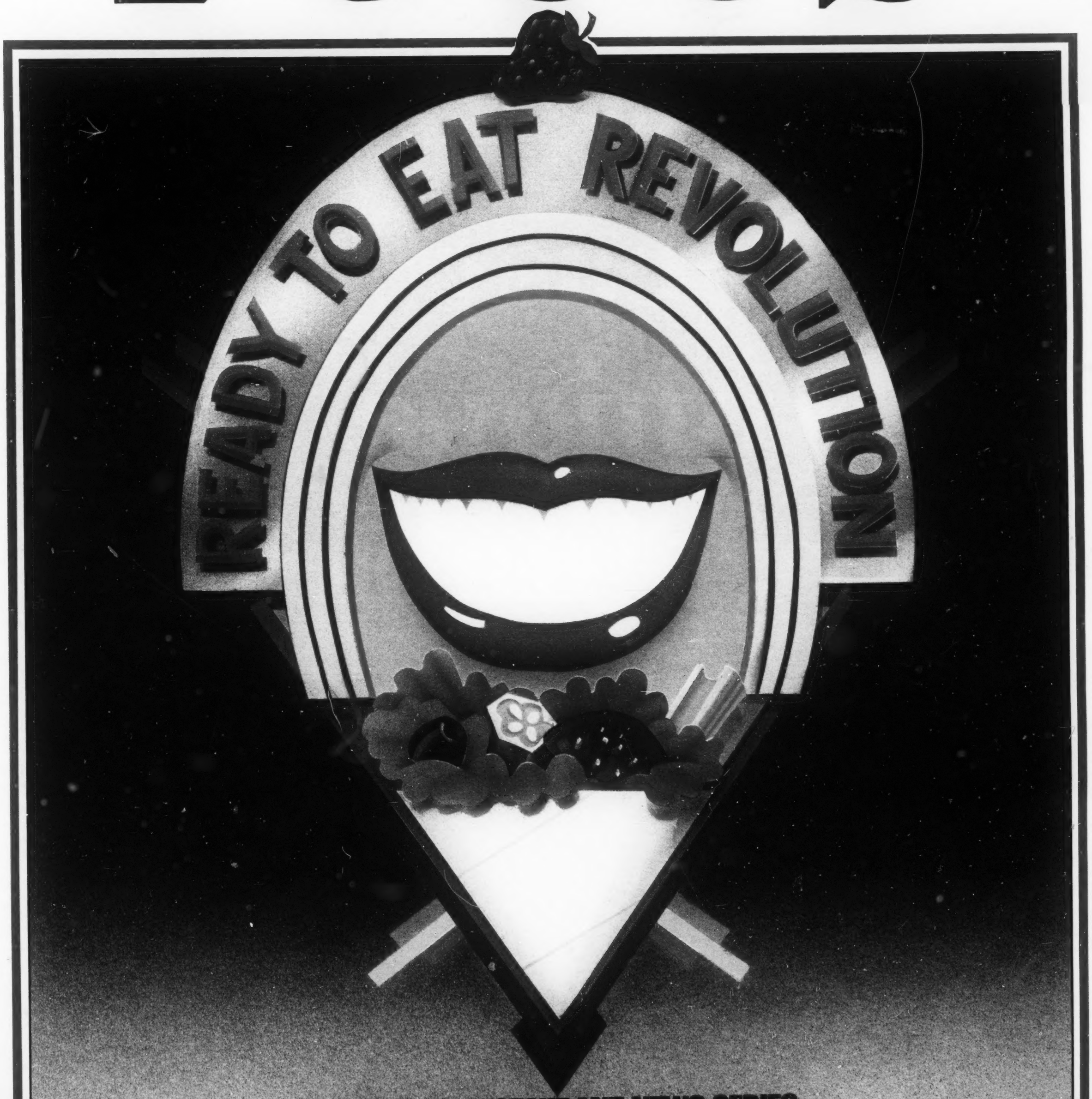



## A NATION'S RESTAURANT NEWS SERIES

*With neither time nor energy to cook at home, Americans are staging a revolution in eating out. And takeout restaurants, supermarket delis, convenience stores, and gourmet shops are cashing in.* **By Marilyn Alva**

***This Week: Part 1, The Ready to Eat Revolution*** / ***Feb. 8: Part 2, Supermarkets*** / ***Feb. 15: Part 3, Convenience Stores*** / ***Feb. 22: Part 4, Specialty Gourmet Food Shops***

FOCUS NRN

# THE READY-TO-EAT REVOLUTION

## *Lifestyle changes fuel market keyed to 'convenience'*

*Claiming her daughter has no concept of the word "roast," a busy supermarket executive says she is thinking of turning her kitchen into a den.*

* * *

*A lawyer says the only things she stocks in her refrigerator are "liquids." All her meals are eaten out or purchased in carry-out sections of food stores or restaurants.*

* * *

*Too "drained and exhausted" after a day at the office, a young manager says: "Who has time to cook? All I want to do is order a pizza and watch some video tapes." Most nights he does just that.*

**By Marilyn Alva**

Lifestyle changes centered around the words "busy" and "involved" by people of all age groups and occupations are fueling the growth of an entirely new food-service category keyed to convenience: the ready-to-eat food market.

Americans are finding there is simply no time or energy left to cook a meal after all the work, personal improvement, and social activities of a typical "New Age" day.

The likely cast of characters includes working women, two-income households with or without children, single parents, and singles. They see themselves as modern, career-oriented, and sophisticated. They admit to being big spenders, impulsive, and self-indulgent.

When those pressured people do get back to the sanctity of their homes, complete with microwaves and VCRs, the last thing they want to do is prepare a meal. They are suddenly transformed into "coach potatoes."

As a consequence, off-premises consumption of ready-to-eat foods is accounting for the largest incremental growth rates in the restaurant industry today. Indeed, it represents some 44 percent of all customer traffic.

"It's what's driving the industry," says George Rice, president of GDR/CREST Enterprises in Park Ridge, Ill.

### Take-out competes with cooking

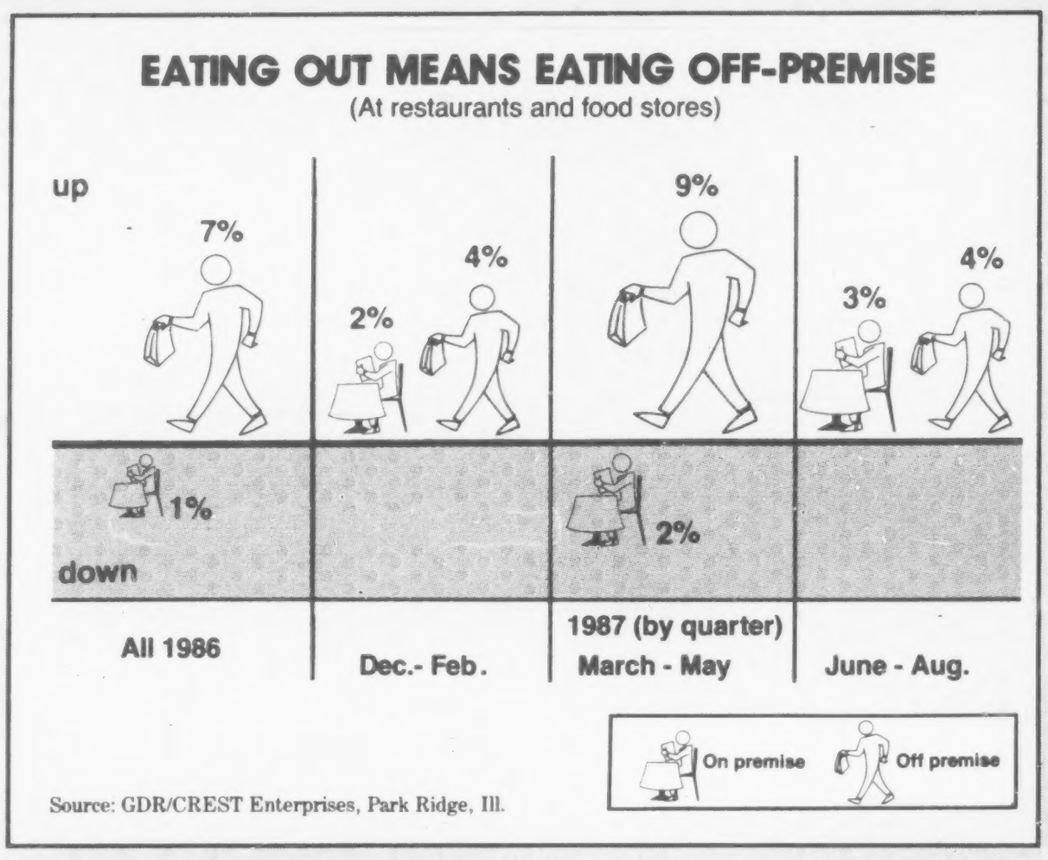
The increase in off-premises eating has had minimal impact on on-premises dining, according to industry sources. People are still eating out; individual in-store sales are more likely to be down because of oversaturation, they say.

"Take-out food buying is instead of cooking, not instead of restaurants," says Clark Wolf, a food and restaurant consultant based in New York. "If anyone should feel threatened, it's the grocery stores."

When questioned about grocery store sales, one supermarket executive in the Northeast comments dryly, "Sacks of flour are down."

About two-thirds of the dollars

*(See **TAKE-OUT**, page F4)*




Source: GDR/CREST Enterprises, Park Ridge, Ill.

## Off-premises consumption is still rising

Off-premises consumption of prepared foods has shown consistent increases over the last two years, while on-premises consumption has been relatively flat. As GDR/CREST Enterprises statistics indicate, the off-premises segment has been the dominant force in the food-service business.

For the first three quarters of last year, for example, off-premises consumption increased from 4 percent to 9 percent, while on-premises dining was down 2 percent one quarter and up only 2 percent and 3 percent in others.

In 1986 off-premises dining was up 7 percent, while in-store consumption was down 1 percent.

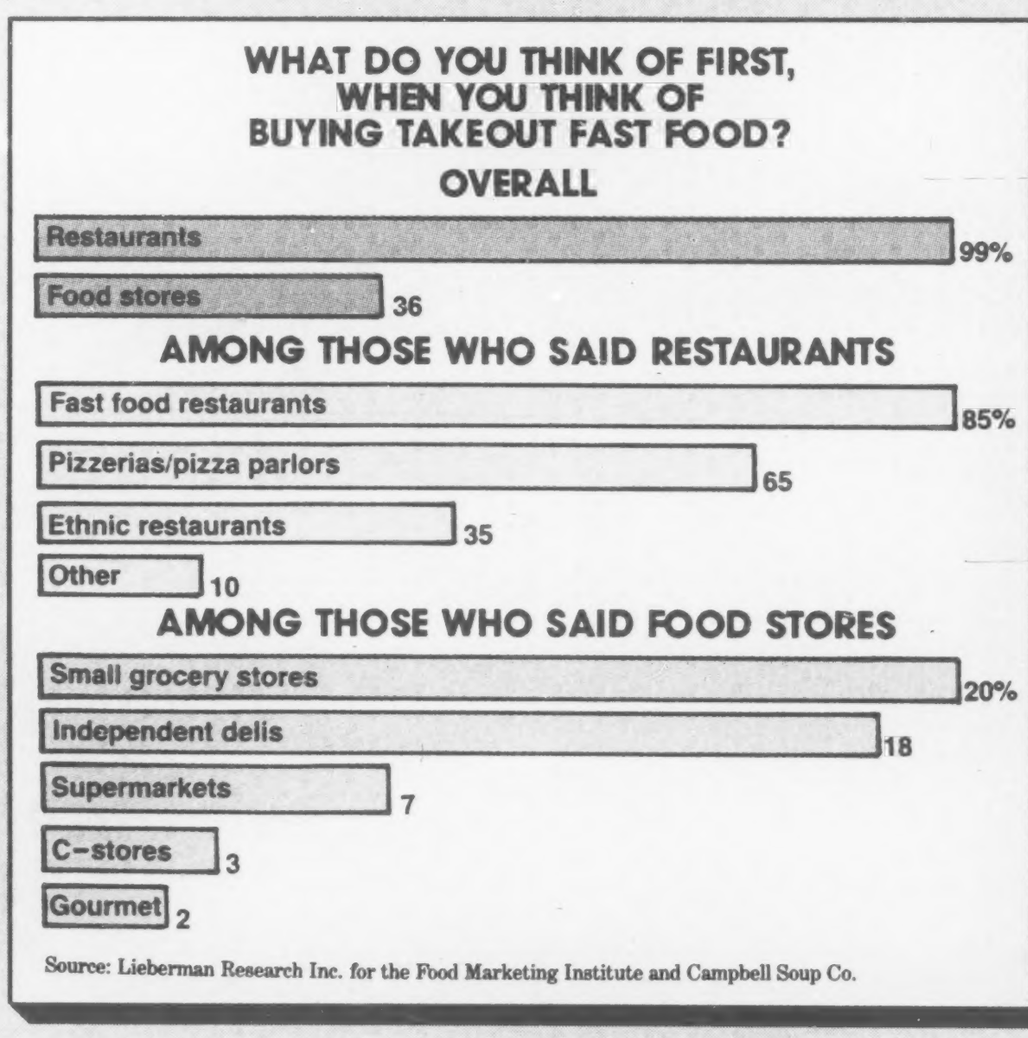
## Restaurants lead survey on takeout

When people think of places to buy take-out food, only one-third mention food stores. But almost all consumers mention restaurants, according to a survey conducted by Lieberman Research Inc. for the Food Marketing Institute and Campbell Soup Co.

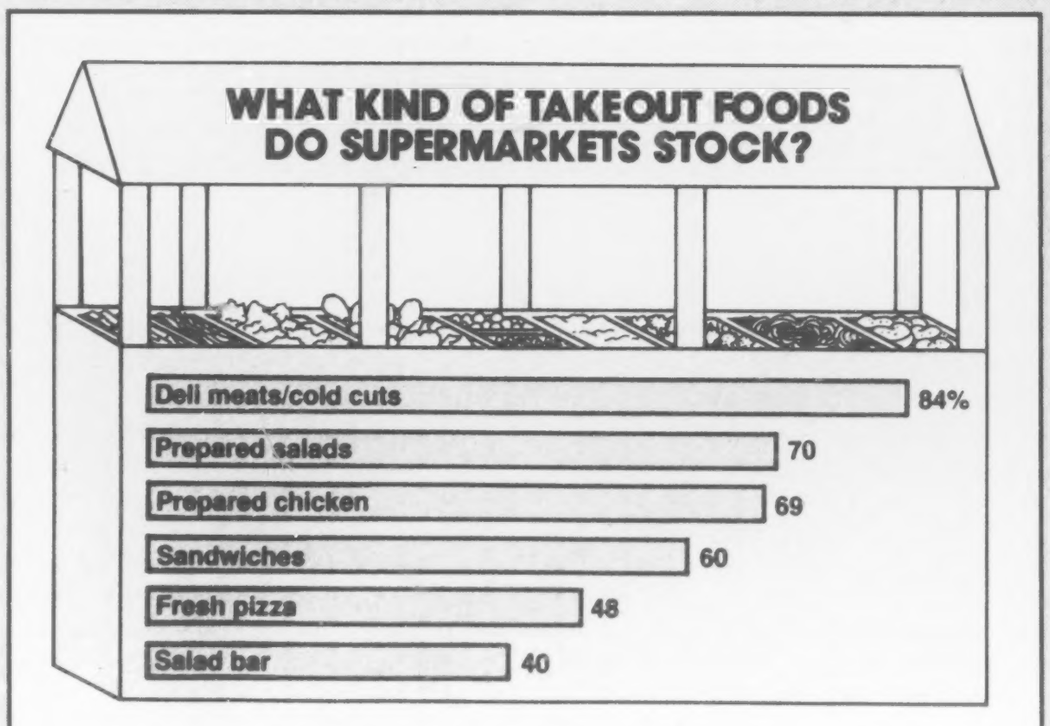
And among those who named food stores as a place where they shop, only 18 percent cited supermarkets as a place to buy take-out food, while even smaller numbers mentioned convenience stores (7 percent) and gourmet stores (2 percent).

Of those who said they get take-out food in restaurants, 85 percent said fast-food restaurants came to mind, followed by pizza places (65 percent) and ethnic restaurants (35 percent).

The report concluded that food stores, including supermarkets, have "a marked awareness problem."




Source: Lieberman Research Inc. for the Food Marketing Institute and Campbell Soup Co.




Source: Lieberman Research Inc. for the Food Marketing Institute and Campbell Soup Co.

## Cold is hot in supermarket takeout section

Although consumers report that their supermarkets carry both hot and cold take-out foods, they believe there is a greater variety of cold foods, according to research conducted for the Food Marketing Institute and Campbell Soup Co.

Consumers, when asked about take-out food shopping, say supermarkets most often carry deli meats and cold cuts, followed by prepared chicken, prepared salads, and sandwiches.

Only a small percentage of supermarkets were said to carry such items as Chinese food, hamburgers, and Mexican fare.

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Helmut Bosch is the chef/manager at Harvest Express, a take-out delivery store built inside the Harvest Restaurant in Cambridge, Mass.

# THE TAKE-OUT REVOLUTION

*(Continued form page F3)*

spent on take-out food is spent at restaurants. Fast-food places naturally account for the biggest traffic counts, followed by pizza parlors, ethnic restaurants, and food stores. Delivery is still a small but fast-growing segment.

**Not a threat but an opportunity**

If anything, restaurants should be viewing the trend to off-premises dining, not as a threat, but as an opportunity. And as Wolf says, "Everybody is adapting."

Here's a typical example. In the Boston area Harvest Restaurants started a Harvest Express take-out and delivery store three months ago in what used to be a small dining room of its Cambridge restaurant. One can purchase everything from quick, on-the-road sandwiches to cassoulet of lamb and pork for two to four people. The store is doing splendidly.

Take-out is being offered by a growing number of upscale restaurants across the country, including such notables as the Quilted Giraffe in New York, Richard Perry's in St. Louis, and Caioti in Los Angeles.

Recently a new service segment has emerged—home delivery brokers. It provides independent restaurant operators home delivery systems, from phone-in ordering services, packaging, and advertising to driver and transportation provisions.

Among the delivery brokers are EatOutIn in Austin, Texas, one of the first; Restaurant Express in Newport Beach, Calif.; Waiters on Wheels in San Francisco; and Restaurant Runners in Lakewood, Colo.

On the East Coast, more and more companies are offering to deliver fully prepared meals cooked by their own staffs.

Dining In of Silver Spring, Md., has ready-to-heat multicourse meals. In Washington, D.C., Main Course prepares organically grown foods to interested clients, with delivery available on Sundays. Cook No More! is another Washington firm that delivers full-course meals, and FoodTemps, a year-old company, actually supplies trained chefs to cook meals at customers' homes.

In the fast-food category, carry-out and drive-thru components are already a built-in and significant aspect of the business. Pizza chains, such as Domino's and Little Caesar, are faring especially well with their delivery-only and carry-out concepts. Now Pizza Hut is rushing in a systemwide delivery system to keep competitive.

**Fast food gets faster**

Fast-food chains are looking at better ways to target the insatiable demand for ready-to-eat foods as other players, such as restaurants and supermarkets, enter the market.

They must realize that of all the restaurant categories, fast food could actually stand to lose some share of the ready-to-eat market to other restaurant players whose fare is perceived to be of better quality and more healthful.

But fast feeders are generally thought to be enough like chameleons to adapt to the changing food environment. As Clark Wolf says,

*(See **TAKE-OUT**, page F7)*

# FOCUS NRN

## TAKE-OUT

*(Continued from page F4)*

"The fast-food sector is able to be so quickly responsive to major trends that they can certainly hold their own."

McDonald's responded last year by introducing prepackaged salads, which is widely considered a successful addition to its menu and something that will likely have staying power.

**Retailers are being undermined**

If off-premises eating has not hurt the eat-in restaurant industry, it has, however, been undermining the retail trade, such as convenience stores and supermarkets, which have been scrambling to expand and improve their ready-to-eat fresh foods sections.

"It's eating into the convenience foods of supermarkets. It's going right at the packaged goods manufacturers who make convenience foods," Rice says. He notes that grocery and convenience stores still account for "a very small part" of the ready-to-eat market.

Beyond the wildly expansive and now flat frozen-main-meals category, supermarkets are fighting back with all kinds of prepared foods that are increasingly looking like what is served at some of America's finest restaurants.

Kings Supermarkets in New Jersey has hired young chefs from the Culinary Institute of America to prepare restaurant-quality foods for the prepared-foods section of three stores, one of which has an open kitchen.

More than 180 dishes have been developed by the chefs, from glazed ducks and stuffed fish to mousses and creme d'laits. Some 30 to 40 selections are available every day.

**Gelson's sells espresso, cappuccino**

Gelson's in California sells espresso and cappuccino in affluent neighborhoods and, if customers call in advance, will provide complete gourmet meals to go in stylish packages. "The package itself is a statement," says a food consultant familiar with the program.

Dillon's, a division of Kroger's, has 65 different cold meats and 125 cheeses, a hot-case menu that changes daily, and baked pizzas as well. At least one California Safeway has a sushi bar. The new Kroger "superstore" that opened recently in Memphis, Tenn., will have not only a combination deli-bakery with ready-to-eat entrées but also a full-service restaurant called Barney's Cafe.

Besides having a full bakery and standard deli department, Washington, D.C.-based Giant Food sells expensive wines and specialty foods, such as rattlesnake meat, in its gourmet foods section.

Home delivery is also increasing among supermarkets in a number of neighborhoods.

**Delis on the rise**

Deli departments are the fastest-growing areas of the supermarket; total supermarket take-out sales are estimated at about $14.4 billion a year, with gross profit margins of 27 percent.

Supermarkets in the year 2000 will have many different deli stations with fresh-prepared foods with global appeal and maître d's that will hand incoming customers "a menu of exciting selections," predicts Phil Lempert, a food marketing executive in Belleville, N.J. He recently chaired a seminar on "How Baby Boomers are Changing the Supermarket."

As he puts it, "Today McDonald's is the competitor; tomorrow the Four Seasons."

Convenience stores have also stepped up their presence in high-margin take-out foods in recent years with such items as fresh sandwiches, pizzas, fried chicken, fountain drinks, and, most recently, joint ventures with fast-food chains.

**Joint ventures are abandoned**

But joint ventures, such as 7-Eleven's experiment with Hardee's and Church's, have not proved very successful; industry observers doubted the volume was ever there. The chain has since abandoned the test.

The nature of convenience stores could also limit the rollout of more sophisticated types of take-out foods that require on-premises preparations.

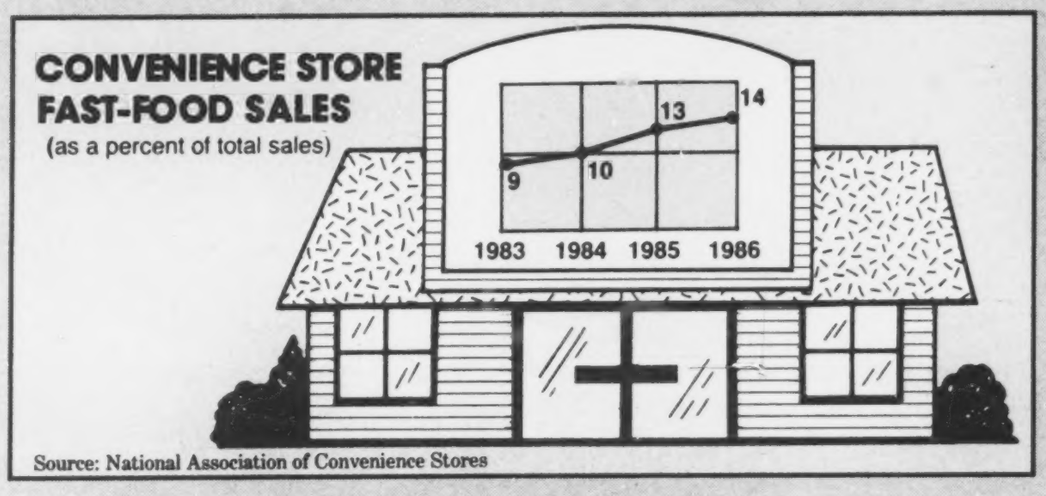
"Convenience store people are wonderful merchandisers; they can sell almost anything out of their stores," says Al Wrisley, a longtime consultant to the convenience store industry and a professor of hotel and restaurant administration at the University of Massachusetts.

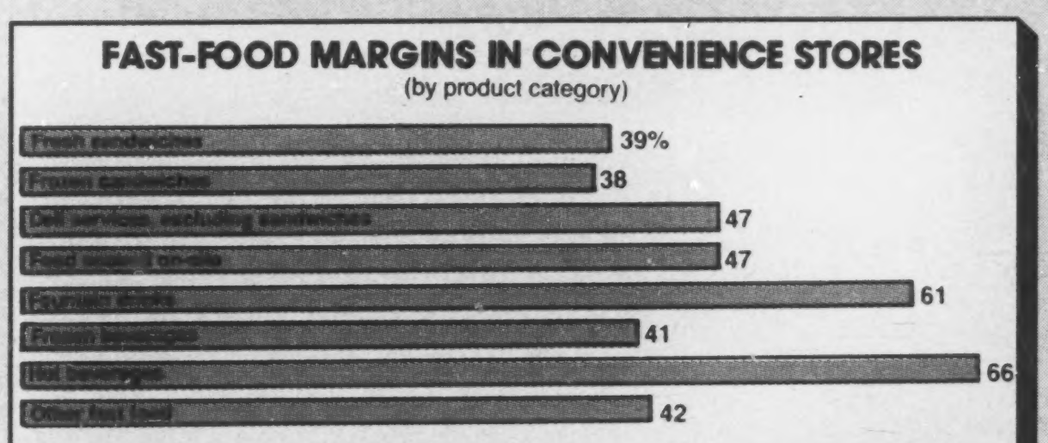
"But they're basically used to selling what other people produce. When they get into frying chickens, they become producers, and that requires more labor, supervision, and food service knowledge," Wrisley adds.

Not all convenience stores can make the adjustment, he explains. "You're going to see companies getting into it and out of it. For others, it won't be their cup of tea."

To whatever degree convenience stores do get into the ready-to-eat market, they have an advantage for being close to home, for being convenient. They will naturally pick up some of the on-the-move population that no longer cooks regularly.

"The growth of ready-to-eat should benefit all sectors," says Wrisley. "Everybody likes to think of this in competitive terms, but I don't think it will put anybody out of business."




## Fast-food sales at C-stores up 23 percent

Fast-food sales for the nation's 64,000 convenience stores in 1986 were up 23 percent, to $5.2 billion, accounting for 14 percent of total revenues, according to the latest figures available from the National Association of Convenience Stores' 1987 industry report.

Fountain drinks accounted for the largest sales in the food-service category, with 3.6 percent of non-gas purchases. Deli services, excluding sandwiches, were 3.3 percent of total sales, and hot beverages were 2.7 percent.

Fast food continued to reap big profit margins. Fresh sandwiches, for example, had profit margins of 39 percent; deli services, 47 percent; and hot beverages 66 percent.

In contrast, bread and cakes had margins of 29 percent; tobacco, 29 percent; and publications, 21 percent.

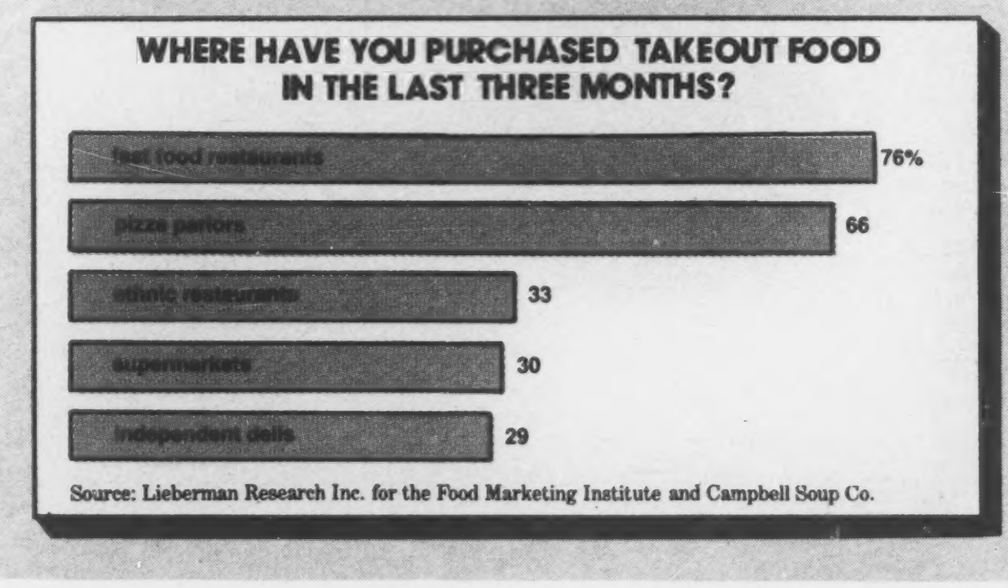
## FMI says buyers prefer restaurant fast-food

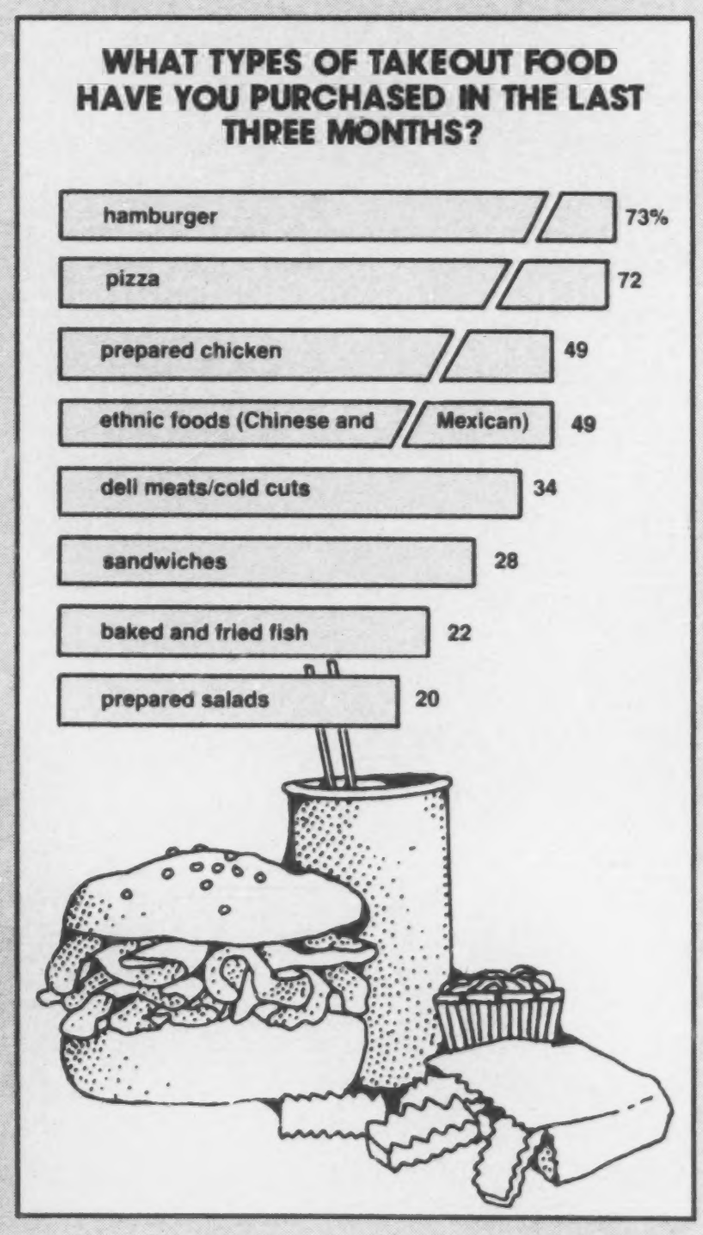
Although a sizable portion of consumers buy take-out food in supermarkets and neighborhood delis, most purchase such foods in fast-food restaurants.

According to research for the Food Marketing Institute, some 76 percent of take-out food is carried away from fast-food units, compared with 30 percent from supermarkets and 29 percent from independent delis.

Pizza parlors garnered the second biggest number of take-out customers, 66 percent, followed by ethnic restaurants, with 33 percent.

By an overwhelming margin, the favorite take-out foods are hamburgers and pizza, the study showed. The next best-liked take-out foods are chicken and ethnic foods, such as Chinese and Mexican. Only 20 percent in the survey said they favored salads, the least-preferred take-out selection.



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# Operators beware: New FICA tax bites

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**By Joe Edwards**

Jimmy Schmidt of the Rattlesnake Club in Denver saw it coming and added a mandatory service charge. Bob Driscoll of Palio in New York budgeted $30,000 for the year to pay for it. Kathy Murphy of the Massachusetts Restaurant Association expected her phone to ring off the hook about it, but that didn't happen. Some restaurant owners don't even know about it. But they will.

"It" is a brand-new law that requires restaurateurs to pay Social Security (FICA) taxes on all reported tips, and it has a lot of independent restaurateurs worried about additional payroll costs and liability.

Mike O'Neal, whose Ginger Man Restaurant Group operates four restaurants in New York, figures the new law will cost him a little more than one-half of 1 percent of total gross sales.

"It's really creating a problem," he said. "That comes right off the bottom line." O'Neal, like other restaurateurs, is looking at menu price

*(See **FICA**, page 94)*

# FDA bans on-premises *sous vide*

## *Cites health violations, OKs commercial usage*

**By Paul Frumkin**

WASHINGTON — In a move that could check a potentially lucrative new business for operators, the Food and Drug Administration has declared that on-premises pouch cooking in restaurants violates existing health codes.

Restaurateurs, however, may continue to purchase and serve commercially prepared pouch-cooked products, the FDA said.

In a letter to the National Restaurant Association, the agency said that in-house pouch cooking violates a code originally implemented to prevent the retailing of "home-canned" products in restaurants.

The pouch-cooking process—known in France as *sous vide*—entails packing food items into plastic bags and then vacuum-sealing them. The food can be held under refrigeration for up to 21 days and then reheated rapidly in hot water at service.

The FDA maintains that insufficient safeguards during the processing and storage of such products "in a restaurant setting" could lead to instances of food poisoning.

The NRA does not plan to fight the agency on the ruling at this point, said Bob Harrington, the NRA's assistant director for

*(See **FDA**, page 98)*

NRN Photo

**From left: John J. Scanlan, ARA special projects vp, and Paul Cerullo, ARA director of operations.**

## *Troubleshooters target Olympic-sized problems*

**By Alan Liddle**

CALGARY, Canada — Whenever 1,800 of the world's best athletes, 6,000 media members, 10,000 volunteers, 7,000 sponsors and VIPs, and 1.6 million spectators get together, feeding them all is bound to present some logistical nightmares.

Throw in the intense security and narrowly defined list of approved suppliers associated with the Olympic Games, and a good night's sleep becomes an even rarer commodity for food-service managers.

Successfully fielding last-minute problems takes a keen mind, experience, a little bravura, or a combination of all three.

When it was discovered that Olympic organizers

*(See **OLYMPIC**, page 98)*

**FOOD WATCH**

## *The 'thrilla' in vanilla*

Vanilla is not just for dessert anymore.

Although the undisputed flavor-of-choice for ice cream, cakes, and cookies, vanilla has never been able to break out of the dessert section of the menu—until now, that is.

Chefs across the country are using vanilla to enhance everything from soup to salad to main courses. A gazpacho flavored with vanilla—called cold vanilla soup—is served at Windows on the Green in Fort Lauderdale, Fla. At L'Eagles Bar and Grill in New Orleans, chef James Braddock combines vanilla with two mustards, honey, and teriyaki sauce, which he serves with grilled salmon fillets.

Claude Guermont, chef-owner of Le Pavillon in Poughkeepsie, N.Y., prepares a sauce for chicken breasts by first steeping vanilla beans in white wine—and later mixing the concoction with crème fraîche, chicken stock, and shallots.

Pecan-breaded oysters in a fresh vanilla cream with cucumber and tomato are a permanent menu item at David Jarvis' Melange in Wilmette, Ill., and a salad of apples, celery, and radicchio marinated in a vanilla-ginger dressing is offered by chef Bernhard Ponczek at the Fairmont hotel in San Jose, Calif.

**—Paul Frumkin**

# Soliman to merge Del Taco, Naugles

**By Richard Martin**

NEWPORT BEACH, Calif. — After quickly regrouping from a failed takeover bid for New York's Restaurant Associates, multiunit mogul Anwar Soliman has challenged fast-Mexican-food segment leader Taco Bell through his deal to buy and merge the Del Taco and Naugles chains.

Del Taco Inc., the closely held, 203-unit operator based in Costa Mesa, Calif., and 171-unit Naugles, a wholly owned subsidiary of Collins Foods International of Los Angeles, agreed to Soliman's hastily arranged buyout offers, estimated to total about $125 million in cash.

The merger of the two taco-and-burger chains, expected to close by late February, would be executed by the newly formed AWR II Acquisition Corp., which Soliman controls.

Officials of Taco Bell, eager to lure quick-service patrons away from the large hamburger chains, said they welcome the heightened consumer awareness of Mexican food that would be stimulated by Soliman's strategy of consolidated marketing.

"It could be very good for Taco Bell," said John Martin, president of the Pepsico subsidiary. Soliman, chairman of Newport Beach, R.I.-based American Restaurant Group and former W.R. Grace restaurants chieftain, said he would unify

*(See **SOLIMAN**, page 98)*

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## NEWS DIGEST

# Perkins' parent places bid for rival Shoney's South

MEMPHIS, Tenn. — Tennessee Restaurant Co., the parent company of 330-unit Perkins Family Restaurants, has tendered a $13-per-share offer for Shoney's South Inc., a 170-unit franchisee of the rival Shoney's coffee shop chain.

The bid tops a management offer of $12.25 per share, which had been challenged by a stockholder lawsuit.

Tennessee Restaurant is a joint venture of Don N. Smith, former head of Burger King, Taco Bell, and Pizza Hut; Holiday Corp., parent of Holiday Inns; and the Bass brothers of Texas, who also hold a stake in Church's Fried Chicken. The company was formed with the intent of buying restaurant concerns, Smith said in an interview last year.

At that time he also commented that any acquired restaurant group competing in the midpriced market would likely be converted to the Perkins brand. Perkins is in the midst of repositioning its concept from a coffee shop to a family restaurant.

# H&H pens deal to acquire International Kings Table

LAS VEGAS, Nev. — Horn & Hardart said it has agreed to acquire the 80 percent of the 85-unit International Kings Table buffet chain it does not already own for $48 million, or $20.25 per share, in cash.

An independent board appointed by Kings Table to negotiate with Horn & Hardart has recommended that the chain's directors accept the bid.

Horn & Hardart, which operates the Bojangles' fast-food chicken chain, said its agreement negates an $18-per-share leveraged buyout offer tendered by management before Horn & Hardart placed its bid.

# Spillman discloses meeting with Hussung on Winners

BRENTWOOD, Tenn. — F.J. Spillman, the chain restaurant veteran attempting to take over Winners Corp., the fast-food chicken chain, said in a securities filing that he has met with M.V. "Buck" Hussung, a former president of Winners.

Meanwhile, Spillman has told the press that he met with another chicken chain to discuss the possible takeover of Winners, which operates the Mrs. Winner's fried-chicken system.

Spillman has said he would replace Winners' management. Opposition to Spillman's offer is being spearheaded by Lonnie Stout II, who succeeded Hussung as president and chief executive in 1986.

# Defeated in meal cap battle, Canadians eye new fight

TORONTO — After failing to thwart passage of an 80-percent cap on expense-account tax deductions, Canadian restaurateurs are lobbying to rectify a legal glitch that prevents foreign chefs and cooks from immigrating here to hunt for jobs.

As hard-pressed as their American counterparts are for kitchen workers, this nation's restaurateurs recently discovered to their dismay that cooks and chefs are not included on the 1988 List of Open Occupations. Foreigners seeking a job not listed on the roster can immigrate only if they have a position waiting and cannot come to job hunt.

Meanwhile, operators are attempting to assess the damage caused by a new law lowering the tax deduction for business meals to 80 percent from 100 percent.

Restaurateurs here fared no better than their American brethren did one year earlier in attempting to prevent such a law.

# Gunther exits Boulangerie, signs on with Pizzeria Uno

PARK CITY, Utah — Pepsico restaurant veteran Art Gunther has relinquished the presidency of Mrs. Fields Cookies' La Petite Boulangerie bakery-cafe chain and signed on as a San Francisco franchisee of the Pizzeria Uno Italian chain.

Gunther resigned as president of Pizza Hut, Pepsico's then-5,000-unit pizza powerhouse, in 1986 to assume the presidency of the fledgling, 145-unit Boulangerie chain. He joined Mrs. Fields, a string of 400 baked-good shops, when that concern bought Boulangerie from Pepsico last year.

Lou Neeb, a former president of Steak and Ale, and Jeff Grayson, whose family founded the York Steakhouse group, have also recently joined Pizzeria Uno as franchisees.

# Licensees file lawsuits against Twistee Treat

NORTH FORT MYERS, Fla. — Seven former franchisees of Twistee Treat, the soft-serve ice cream chain, have filed suit against the franchise company, its officers, and a financial subsidiary.

The suits charge Twistee with, among other things, racketeering, violating the Sherman-Clayton Antitrust Act, breaching contracts in 33 instances, and committing common-law fraud 25 times.

"We think these charges are totally without merit, and we plan to fight it bitterly," said Skip Skinner, Twistee Treat's chairman. "Lawsuits in the franchise industry are not uncommon."

# *Chains turn to short-term promos*

**By Peter J. Romeo**

A spate of major fast-food chains are hawking short-term promotional products this winter in an attempt to bolster traffic without resorting to profit-eating discounts.

Several have chosen chicken items as their lures, taking advantage of rock-bottom poultry prices to broaden profit margins. Beef prices, in contrast, have been trending upward.

In selected markets, Burger King is advertising a new sandwich called Chicken Deluxe, a jazzed-up version of a chicken hero introduced years ago. Unlike its predecessor, the Deluxe features cheese, tomato, and lettuce in addition to a batter-coated, deep-fried chicken fillet.

In a nod to mounting consumer interest in nutrition, Deluxe ads point out that the chicken is fried in vegetable oil rather than in beef tallow.

Franchisees can pull the item on and off their menus at will for a quick sales fix, a representative said.

Arby's, the roast-beef chain, recently rolled out a chicken cordon bleu sandwich for a two-month promotion entailing television, radio, and print advertising. The price of the sandwich—a 3.5-ounce chicken breast fillet topped with ham and Swiss cheese—varies regionally from $2.39 to $2.59.

McDonald's promoted Holiday Nuggets—a short-lived variation on its Chicken McNuggets chicken-and-dips product—before New Year's but has since switched to a temporarily available burger called the Cheddar Melt. The sandwich, consisting of a patty topped with cheddar cheese and grilled onions, is available à la carte or as part of a meal package that also includes an extralarge order of fries.

Like McDonald's, Hardee's spent early 1988 in touting new and temporarily available versions of its signature burger. The regional chain topped its quarter-pounder with salsa and cheese, ham and cheese, and tomato sauce and cheese to create Mexican, American, and Italian burgers, respectively. The sandwiches sold for $1.79.

Wendy's is the only major burger chain that has not embraced a short-term promotional product this winter, attempting to bolster sales instead with its new Superbar buffet and a new ad campaign squarely focused on hamburgers.

# NRA OKs $106,000 in political donations

By Charles Bernstein

PALM DESERT, Calif. — The National Restaurant Association's Political Action Committee has approved $106,000 in contributions to 52 more 1988 Senate and House candidates "favorable to our industry," PAC chairman Ralph Brennan of New Orleans reported to the NRA's winter board meeting held here.

He added that some 700 persons have contributed $167,000 thus far toward a $400,000 NRA goal for 1988.

Brennan did not name any of the 52 candidates. Jeff Prince, NRA communications senior director, explained later that no names can be divulged until the candidates actually receive the money.

"It's not fair to name people and then discover, as could happen in rare instances, that the board has withdrawn approval for a particular candidate," Prince declared.

He did agree to release the names of the 11 incumbent senators and representatives who received NRA contributions in 1987 and through the first week of January for their 1988 campaigns.

NRA state relations committee chairman Paul Lazar of Warren, R.I., reported to the board that grass-roots efforts have risen to "272 key restaurant contacts covering 334 members of Congress" and that the 1988 goal is 350 key contacts covering virtually all of Congress "through local contacts in the individual restaurants."

"We will continue to explore ideas to educate Congress on our industry and to educate our industry on Congress," said ARA's John Farquharson, Political Education Committee chairman.

Jim Hasslocher, 1986-87 NRA president, declared (with reference to congressional legislative setbacks in the past few years) that "certainly we've received defeats, but they've been stiff left jabs, not knockouts. We need to raise our guard and decide how we can avoid these blows. There is no reason why we can't get the legislative struggle back on track."

Harry Klingeman of Winnetka, Ill., chairman of the communications committee, pinpointed "industry apathy and the labor shortfall" as today's leading challenges.

The staff leader of the NRA's intensive grass-roots legislative campaign is Colette Coleman, NRA state relations and grass-roots development director in Washington. Richard Crawford, a former member of the House Appropriations Committee, heads staff efforts with the federal government. Ronald Sarasin, a former Connecticut congressman who once was a gubernatorial candidate, is government communications director.

All three report to government relations senior director Mark Gorman.

**National Restaurant Association political action committee contributions to 1988 incumbent candidates**

(Year ended Jan. 8, 1988)

| | |
|---|---|
| Sen. Pete Wilson, R-Calif. | $5,000 |
| Sen. Christopher Shays, R-Conn. | $1,000 |
| Rep. Buddy MacKay, D-Fla. | $500 |
| Rep. Hal Daub, R-Neb. | $5,000 |
| Rep. Alice R. "Ally" Milder, R-Neb. | $1,000 |
| Sen. Daniel Patrick Moynihan, D-N.Y. | $1,000 |
| Rep. Louise Slaughter, D-N.Y. | $1,000 |
| Rep. Bob Clement, D-Tenn. | $500 |
| Sen. Lloyd Bentsen, D-Texas | $1,000 |
| Rep. Steve Bartlett, R-Texas | $1,000 |
| Sen. Orrin Hatch, R-Utah | $5,000 |

Source: National Restaurant Association

# Avenue Grill

*(Continued from page 3)*

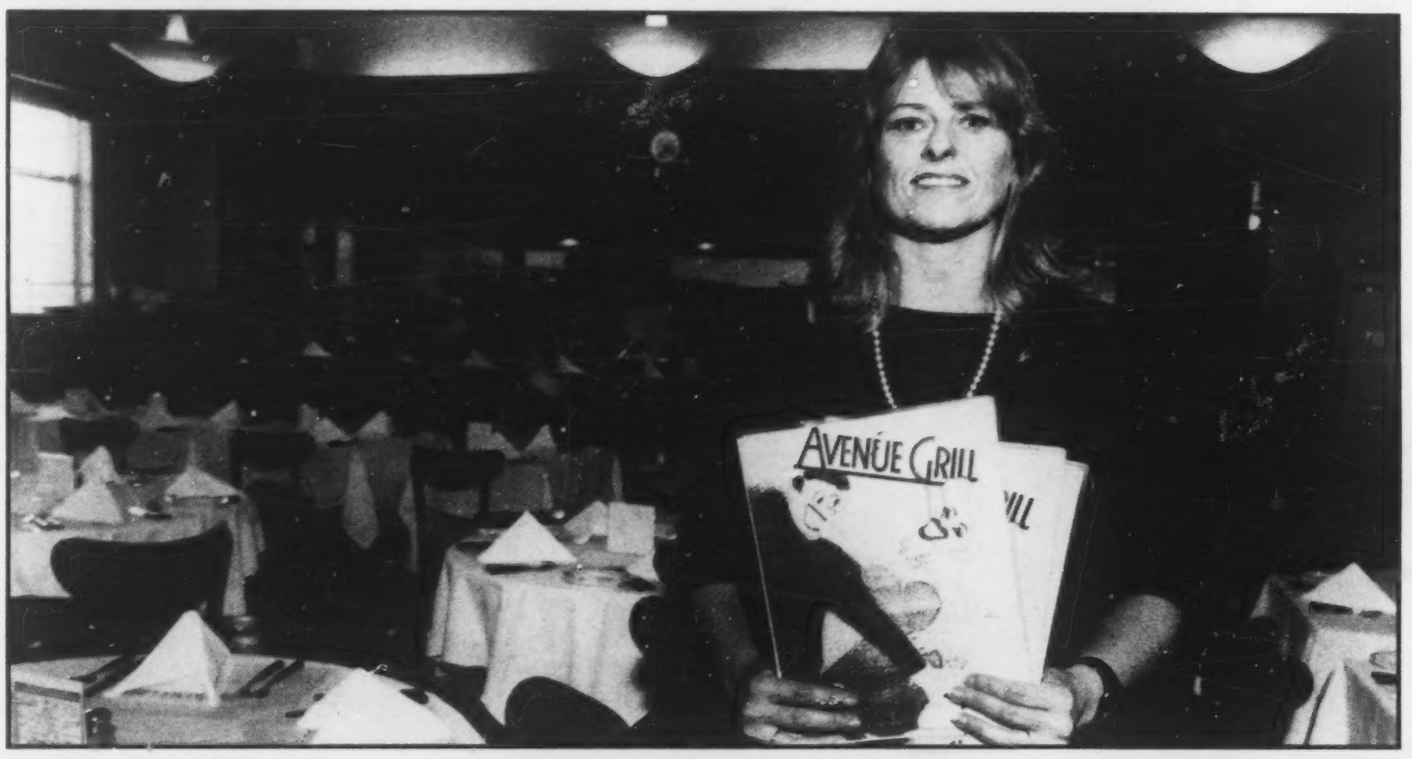
three theme nights a month. She also noted that the special events attract new business and keep the attention of repeat customers, who she estimated make up about a third of the clientele.

According to Fitzgerald, "There are people who haven't missed a Thursday night for turkey."

Cardenas, who handles marketing, mails out from 1,200 to 6,000 promotional pieces a month.

He said he started with a purchased mailing list of median-income residents in south Marin County, which he has beefed up substantially by asking customers to fill out survey cards.

The mailers are usually copies of the restaurant's snappy monthly food-fun calendar, which features such entries as "Eat your lamb (& scram)—Roast lamb and the trimmin's" and "Blackened this and Cajun that."




NRN Photo

**General manager Suzanne Fitzgerald in the Avenue Grill dining room.**

The mailers are just one aspect of the restaurant's marketing efforts. Avenue Grill crew participates in as many community charity events as they can, Cardenas said.

In all, the restaurant spends about 1.2 percent of sales on marketing. Little of the money is used for media space or couponing.

The managers' sense of humor is shared by many of the 35 staffers, who are affectionately referred to as "grill scouts."

One employee recently observed to a first-time customer within earshot of two little girls who regularly frequent the restaurant: "You want controversy, I'll give you controversy. I don't like children—unless they're cooked properly."

La Mancusa indicated that two things enabled the 2,000-square-foot restaurant to generate nearly $1 million last year:

- Devotion to quality. "The only things that come canned are olives, [some] tomatoes, and anchovies. We dry our own tomatoes, smoke our own meats."
- Teamwork. "There is no class discrimination [among employees]. We've all agreed that we are working for the same purpose."

That purpose, Cardenas said, is to provide a well-rounded dining experience. He said that customer feedback suggests that many patrons are receiving just that: "As many people walk out the door, they say, 'We had a good time,' not 'We had a good piece of meatloaf.' "

## *'White Trash' lures customers to Avenue Grill*

MILL VALLEY, Calif. — Theme nights that have helped attract patrons to the Avenue Grill include:

- White Trash Night, featuring fish sticks, macaroni and cheese, iceberg lettuce with Thousand Island dressing, and soda cracker pie.
- Southern Pig Pickin', an evening centered around a rotisserie-roasted whole pig, black-eyed peas, collard greens, hush puppies, and Betty Jean Butt's parsnip pie.
- Shellfish Feast, a smorgasboard of seafood, including a champagne-cream bisque swimming with prawn, crab, and lobster chunks; Chesapeake Bay soft-shelled crab; and Half Moon Bay abalone.
- Molly Goldberg Nite, a celebration of traditional Jewish cooking complete with chicken soup, gefilte fish, chopped chicken liver, knishes, latkes, and *holishkes*.—**Alan Liddle**

## CORRECTIONS

"Adtrack: Less bang for the buck," page 1, Jan. 18, contained faulty data because of a computer programming error. Corrected data appear here.

**"Of all the fast-food advertising that you have read, seen, or heard in the last month, which advertising first comes to mind?"**

(Percent)

| | 1986 | 1987 |
|---|---|---|
| McDonald's | 44 | 44 |
| Burger King | 15 | 14 |
| Wendy's | 8 | 8 |
| Hardee's | 4 | 4 |
| No recall | 13 | 14 |

*Note: Asked of 1,000 randomly selected adult consumers.*
Source: NRN Adtrack

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Vol. 22, No. 7 February 15, 1988

### When beverage brands come to mind ...

According to a survey of 1,000 consumers last September, five of the top 10 brands that come to mind in unaided recall tests these days are beverages, and two others are fast-food chains (McDonald's and Burger King). The recall rates were based on ads consumers mentioned as seeing and remembering over the prior 30 days. Here are the top five "high recall" beverages:

| Top 10 Rank | Beverage Brand |
|---|---|
| 2 | Coca-Cola |
| 4 | Budweiser/Bud Light |
| 5 | Miller/Miller Lite |
| 6 | Pepsi Cola |
| 9 | Barties & Jaymes |

SOURCE: Adwatch/SRI Research Center/Advertising Age, Sept. 1987

### Cooler sales are still hot, but...

Coolers (wine, beer, and spirits) again continued to outgrow and outsell all spirits last year, according to year-end industry reports. After seven months the entire cooler category was up 13 percent, to 42.4 million cases. But experts say now that the gains aren't coming as fast or as briskly and that a leveling of double-digit increases is likely to hit before 1990, as was projected earlier.

### How dining-out will fare...after the Crash

According to one national sampling after last October's stock market free-fall, nearly 8 of 10 consumers don't intend to alter their short-to-middle-range eating or drinking-out plans much at all. Still, Paul Getman at the Wharton Econometrics model says: "Consumer spending will be affected in some direct and noticeable way heading into 1988. Every $1 change in stock price produces a 5¢ change in consumer spending over the subsequent year, according to our ongoing studies." He pegs '88 cutbacks for spending at $25 billion, most of it in descretionary pocketbook areas. The Brooking Institute estimates a $15 billion slowdown, especially in the early months of the new year.

*SPENDING REACTION TO MARKET FALL*

| | Cut back | Incr. | No change |
|---|---|---|---|
| Dine out | 22% | 4% | 74% |
| Clothing | 20 | 5 | 76 |

SOURCE: Leo Shapiro/Advertising Age phone interviews 702 men/women, Oct. 20-21, 1987.

### Wine brands come back to the tube

At least two major wine-makers—Paul Masson and Taylor California Cellars—are pushing mass-market California wines on national television for the first time in two years. Both took to

the tube in October with a combined outlay of $11 million. That's more than the entire wine industry (excluding Gallo) spent in 1986. It's one reason why the top import and domestic wine brands fell 3.6 percent, to 40 million cases, according to Impact research. Masson's sales were off 1.6 percent (6 million cases) and Taylor's were down 8 percent (5.8 million cases) for the year.

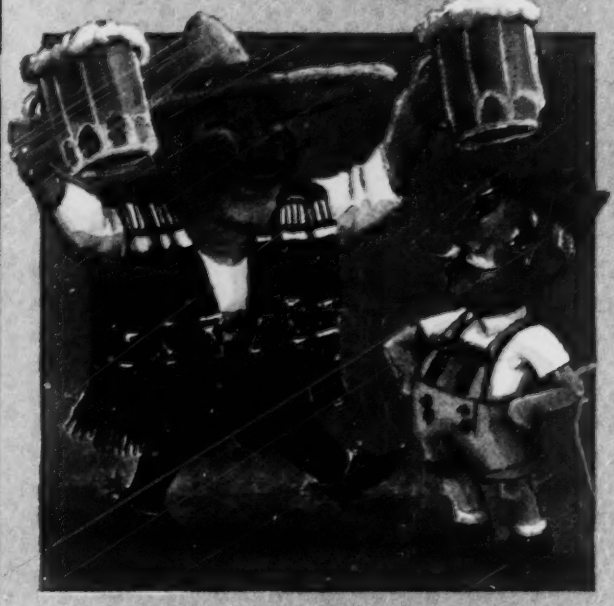
### Import beer sales: the ups and downs

Midway through 1987, only Mexican and Canadian beers were posting sales increases, according to The Beer Institute. Imports from all other top foreign beer producers were down sharply from the prior-year figures. Final tallies aren't in yet, but they'll probably line up this way, based on 1986 trends—with

*IMPORT BEER SALES TRENDS*

| Origin | 1986 | 1987* |
|---|---|---|
| Netherlands | + 3.7% | – 17.6% |
| Canada | + 2.6 | + 1.0 |
| Germany | – 0.5 | – 1.9 |
| Mexico | +79.7 | +110.8 |
| UK/Ireland | +21.7 | – 10.7 |

*6 mos., 1987 SOURCE: The Beer Institute



a noticeable narrowing between No. 1 Heineken and No. 2 Corona: (1) Heineken (36.2 million cases in 1986), Corona Extra (13.5 million cases), Molson (13.1 million cases), Beck's (10.7 million cases), Moosehead (6.0), La-Batt's (4.6), St. Pauli Girl (3.9), Amstel Light (3.2), Dos Equis (3.2), and Tecate (2.5).

### Denny's serves up 3 house brand varietals

Since late last year, Denny's has been adding a new line of house brand wines in 6-ounce bottles to the menus of select outlets around the country. By spring the chain expects to have its three "home-grown" California varietals in 95 percent of all units. The idea behind the all-out wine program is to call attention to the public that Denny's is for dinner, too—not just breakfast and lunch, says marketing vice president Barry Krantz. Denny's private-label lineup is under the Emerald Ridge label and includes: (1) a chenin blanc, (2) a sauvignon, and (3) a white zinfandel.dd bar

## Wine, beer & liquor: the top 3 advertisers

Here's how Advertising Age ranks them in its annual category-by-category analysis of media spending:

**BEER: $688.8 million ad spending**

1. Anheuser-Busch . . . . 43.0%
2. Phillip Morris/Miller . . 29.7
3. Adolph Coors . . . . . 11.3

**WINE: $235.9 million ad spending**

1. E&J Gallo . . . . . 30.6%
2. Jos. E. Seagram . . . . . 12.8
3. Brown-Forman . . . . . 10.2

**LIQUOR: $226.4 million ad spending**

1. Jos. E. Seagram . . . . 14.7%
2. Olympia & York . . . . . 9.8
3. Grand Metropolitan . . . . 9.7

SOURCE: Advertising Age, September 1987

## Why premium wines are coming on...

The biggest single reason: They're pouring out higher gross profit dollars per glass, according to a recent report in Market Watch (chart below). Premium wines currently account for a growing 30 percent of the wine market—at a time when sparkling wines are starting to level and drop off around the country. The Wine Institute, in fact, reports a bell-shaped upside-down curve for the category. In 1982 sales for sparkling wines were 37.9 million gallons, up to 46.9 million in 1984, then back to 44.2 million in 1986.

***PROFITS BY THE GLASS***

| Wine/type | Cost | Price | G/P |
|---|---|---|---|
| Inglenook Chablis/generic | $0.17 | $1.95 | $1.78 |
| Macon Vire Le Grand Cheneu 1983/standard | 0.80 | 3.25 | 2.40 |
| Chateu Ste-Michelle Chardonay 1983/premium | 1.39 | 4.50 | 3.11 |

SOURCE: Market Watch, based on national costs, minus overhead, spoilage, etc.

## American women: how they drink today

A 1986 Simmons study conducted for Good Food magazine reconfirms that women are rearranging national drinking patterns in a host of key wine, beer, and spirits categories, and they are also broadly influencing the way men are mixing their drinks. Women are above the national norms in vodka and gin consumption and beat the averages in categories like brandies, table wines, and wine coolers, Simmons concludes.

***WOMEN'S INFLUENCE ON DRINKING***

| Category | Simmons '86 Avg. | Women '86 Avg. |
|---|---|---|
| Bourbon | 15.8% | 12.3% |
| Scotch | 11.3 | 10.5 |
| Rum | 20.4 | 19.8 |
| Gin | 14.8 | 17.0 |
| Vodka | 24.9 | 31.3 |
| Tequila | 12.7 | 11.0 |
| Sparkling wine | 25.0 | 35.3 |
| Dessert wine | 13.5 | 13.8 |
| Brandy/cognac | 12.6 | 15.3 |
| Table wine | 32.3 | 60.7 |
| Beer | 44.8 | 48.1 |
| Wine Coolers | 21.9 | 26.3 |

SOURCE: Simmons/Good Food, 1986

## Soda and eggs for breakfast?

Coca-Cola says, "Hey, why not?" Its new "Coke in the morning" ad campaign, in fact, is based on research that clearly shows soft-drink consumption has increased sevenfold over the past 10 years. More to the point: Today Americans already drink more soft drinks per capita (44.5 gallons) than water. Of the total soft drinks consumed during a typical day, according to the National Soft Drink Association, 10.3 percent is drunk before noon. Coca- Cola's new Coke-in-the-morning promo kicked off in several Southern and Southeastern markets late last fall, and it is expected to spread to other parts of the country in the months ahead if early trends hold.

## Top beer-makers test new products

- Anheuser-Busch, the industry leader (with 40 percent of total beer sales), recently pushed four new products out of its test kitchens: (1) O'Doul's Pale Ale, testing now in Massachusetts; (2) a non-alcohol malt called LAX, trying out in Georgia; (3) a dark beer called Anheuser Pilsner, testing in Arizona; and (4) another dark, Anheuser Mazen, in New Hampshire. The two German-type test beers are priced at the top-end beer pricing levels to explore possible AB entry into the higher-price ranges currently dominated by import labels, such as Heineken and Becks.
- Miller (22 percent of sales) is getting ready to test-fly a new draft-light companion to its two-year-old Genuine Draft label. In 1986, GD sold 3.5 million barrels, with a $37.7 million ad budget. Chances are that Miller will continue to spend big for Genuine Draft in '88, based on its $56 million outlays in '87 (vs. just $25 million for Miller High Life).

# tequila's an American standard The Margarita started it...

**Americans today drink more than twice as much to the native Mexican drink as Mexicans themselves. Last year, we consumed 4 million cases and sales continue to swing higher.**

Tequila first crossed the border and began making its way into U.S. bars as far back as 1945. But it officially went into national distribution in 1964 when Heublein began importing the Mexican drink, and within 10 years, tequila sales topped 1 million cases.

Today Americans drink more than 4 million cases of the sharp-tasting 80-proof liquor annually—twice as much as native Mexicans consume themselves.

It's safe to say that over the past 10 years particularly, tequila has become an American standard—thanks to the popularity of the margarita and its versatility as a ready-mix and yearround seller.

Just last August, T.G.I. Friday put a reformulated frozen margarita on its year-round drink menu for the first time. "We offered a house margarita—frozen and on the rocks— chainwide, and sales increased every month to date so far," says marketing director Lindy Grooms.

Friday's margarita promotion is at full markup and will continue through 1988, he says. "Today the margarita is a universal drink. It can be, and is being, sold in all types of bars and restaurants and has outgrown the stigma of being only a Mexican food drink. We see it as a legitimate year-round seller anywhere we operate."

**A pricier promo:** Similar thinking prompted Dave Husach, regional vice president of Dobbs Airport Service, to develop a Gold Tequila promotion at his 15 airport lounges. He saw an opportunity to trade up his bar and lounge patrons to a pricier level of an already popular drink.

"We had margarita promotions in the past at $3 and $3.25. But for this effort, we bumped it up to $3.75 and offered it to customers in larger grandee glasses." Husach plans to rotate the promotion this year to his units in warmer climates and when seasons warm up.

**Hot and upscale:** Similar thinking was behind Joan Scanlon's decision to drum up a three-month tequila "quencher" stunt at New York City's Hyatt last summer. "We chose tequila because its hot and upscale," the beverage manager says. "Today it's what vodka was in the '70s."

The Hyatt created a 10-item tequila menu, with special drinks priced at $4.50 and $6—and provided complimentary tortilla chips and salsa to spice up the offer.

"We also highlighted Cuervo 1800 as a shooter and called it the Cadillac of Shooters. The glasses were presalted, and we gave them away to everyone who ordered the shooter."

Currently, at least five leading marketers and brands promote tequila—Jose Cuervo (Heublein), Montezuma (Barton), Juarez (David Sherman), Sauza (Domecq), and Pepe Lopez (Brown-Forman).

**Younger customers:** Target customers for tequila tend to be concentrate in the 21-to-35 age group, evenly divided between men and women, experts point out. "Generally, they're more the outgoing social types with active lifestyles who enjoy margaritas and are willing to test other tequila concoctions," a Brown-Forman spokesman points out.

More tequila is sold in the Los Angeles area than in any other metro area in the country today, nearly 2-to-1 over second-place San Francisco. Other big cities like Dallas, New York, and Chicago also rank high as tequila pockets, according to Jobson's Liquor Handbook.

The popularity of tequila figures to continue and can be traced to several factors, including (1) the growth and ongoing popularity of Mexican food and restaurants nationwide, (2) a long list of pop song his (like Jimmy Buffett's "Margaritaville" and Bobby Share's "Pour me another tequila, Sheila") that give it a lot of free publicity, and (3) the "Me Generation's" acceptance of tequila-mixed drinks as more than a passing fad.

## TODAY'S TOP TEQUILA MARKETS*

*Figures in parens represent thousands of 9-liter cases.

Source: Jobson's Liquor Handbook, 1986.

## THE MARGARITA...AND OTHER 'STRONG' TEQUILA DRINKS

### 1 THE SILK STOCKING

**Ingredients:** 1 oz. evaporated milk, 1 oz. sweetened condensed milk, ¼ oz. Grenandine syrup, 1 oz. premium Gold Tequila, 3 to 4 ice cubes, sprinkle with cinnamon (optional). **Directions:** Blend first five ingredients until the mixture reaches a smooth consistency like a colada. Dust with cinnamon and serve in a champagne glass.

### 2 CRANDADDY

**Ingredients:** 1 oz. premium tequila, 5 oz. cranberry juice, 1 oz. Triple Sec, an orange slice. **Directions:** Fill large glass with ice. Add tequila, juice and triple sec. Stir and garnish with orange slice.

### 3 MARGARITA

**Ingredients:** 1½ oz. premium tequila, 1 oz. Triple Sec, 1 oz. lime juice, lime slice. **Directions:** Rub rim of cocktail glass with rind of lime, dip rim into sale. Shake ingredients with ice and strain into glass. Garnish with lime slice.

### 4 GOLD COASTER

**Ingredients:** 1 oz. premium tequila, 5 oz. orange soda, lime wedge. **Directions:** Pour tequila over ice in tall galss, add soda and stir. Squeeze and drop lime into drink.

### 5 GRAPE GATSBY

**Ingredients:** 1 oz. premium tequila, 5 oz. white grape juice, fresh grapes. **Directions:** Fill tall glass with ice, pour it tequila and juice and stir. Garnish with grapes.

The Margarita started it...but now tequila's an American standard

3/28/88 C 5150-5

NEWSPAPER

**Ready to Eat: Gourmet shops**
Focus/Follows page 22

**Guzay learns a lesson with Allora restaurant**
New York Metro Report/Page 43

**Buying equipment? Look for durability**
Operations & Equipment/Page 18

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# FICA perils tips

## *Operators mull new service charges*

**By Joe Edwards**

The new Social Security (FICA) tax on reported tips is reviving an old debate among restaurant operators on the usually vilified mandatory service charge.

Service charges are automatically added to restaurant bills in other countries, where, in French, it is *service compris*. American restaurateurs, however, shun automatic tips.

With the new tax, however, restaurateurs are expressing interest in the mandatory service charge.

Their reasons: It is easier, it is no longer an added expense, and it will protect them from liability if the Internal Revenue Service audits waiters and waitresses and finds they have been underreporting their tips.

**Apathy is the villain**
Bernstein, Page 7

**NRA tries new tactics**
Rankin, Page 52

In the past those who charged an automatic tip have had higher payroll costs because they paid Social Security, or FICA, taxes on their wait staff's total earnings, while restaurateurs without a service charge paid FICA tax only on the minimum wage—$3.35 an hour minus a 40-percent tip credit.

The new law puts all operators on equal footing, whether or not they have mandatory service charges.

The law requires them to pay FICA taxes, at a rate of

*(See **FICA**, page 66)*

NRN Photo

**Duncan McCoy shows off his Texas Tumbleweed.**

# *Houston diehards hail city's recovery*

**By Carolyn Walkup**

HOUSTON — Battle-scarred restaurant operators here are confident that more prosperous days lie ahead and that Houston's economic recession has bottomed out.

"The restaurants that are in the market now have survived some tough economic times. Calm water is not too far off," said Glenn Rex, director of Houston member services for the Texas Restaurant Association.

"For the first time in the past several years, the fourth quarter of '87 had an improvement over prior years. And that seems to have held up after the first of the year," he noted.

A sampling of operators in all segments supported those claims.

In the fast-food end, sales at Whataburger's Houston units

*(See **HOUSTON**, page 66)*

# H&H to sit at King's Table

## *Buffet chain agrees to $48 million takeover*

**By Rick Van Warner**

NEW YORK — Seeking to bolster its restaurant division, Horn & Hardart has agreed to acquire International King's Table for about $48 million cash.

The restaurant and mail order company's offer of $20.25 a share for the 90-unit, buffet-style restaurant chain sinks a previously approved, management-led takeover bid of $18 a share.

The deal would also project H&H, famed for its New York Automat, into the West and into a new segment of the food-service business.

"We feel confident that we can produce a much better bottom line under our management umbrella," chairman Barry Florescue said in a prepared statement.

"It [King's Table] appeals to a segment of the market which is growing and which we believe will continue to grow," Florescue added.

An independent board appointed by the Eugene, Ore.-based company recommended that King's directors accept the offer for the 80 percent of the company Horn & Hardart does not already own.

**Florescue**

While H&H has reiterated its plans to focus on building its Hanover House consumer direct mail business, it is

*(See **KING'S**, page 66)*

## FOOD WATCH

### *Dobbs, Jack in Box go Hawaiian*

Searching for ways to tap mounting interest in regional American cuisines, two food-service operators are reaching halfway across the Pacific Ocean to embrace the Polynesian fare of Hawaii.

Dobbs Houses, Greyhound Corp.'s airport concessions operator, has opened a Hawaiian restaurant called Luau at Memphis [Tenn.] International Airport. The outlet is an updated version of a concept Dobbs abandoned in the 1970s.

The menu includes such island specialties as Celestial Chicken (strips of deep-fried, sesame-and-crumb-coated chicken served with a cream sauce), Hawaiian barbecued ribs, and Hukai pie (a Hawaiian version of black-bottom pie, with a ginger-snap crust, a bottom layer of chocolate, and a top section of rum-flavored custard).

In Hawaii, Jack in the Box, the 900-unit fast-food hamburger chain, has added a new Paniolo breakfast, which is named after a Hawaiian folk hero. The new item consists of two scoops of rice, scrambled eggs, and slices of Portuguese sausage. A Hawaiian-styled beverage, a blend of orange and passion fruit juices, is also featured.

# 10 famed restaurants elected into Fine Dining Hall of Fame

NEW YORK — Ten leading fine-dining restaurants have been elected into Nation's Restaurant News' Fine Dining Hall of Fame.

The 1988 Hall of Famers are An American Place, New York; Cafe Annie, Houston; Cafe Provençal, Evanston, Ill.; Campton Place, San Francisco; Chanterelle, New York; Chinois on Main, Santa Monica, Calif.; Masa's, San Francisco; Mr. B's Bistro, New Orleans; Rancho de Chimayo, Chimayo, N.M.; and Restaurant Jasper, Boston.

Hall of Fame '88

The balloting for this year's awards was conducted among the 70 previous winners and the editors of Nation's Restaurant News.

The Fine Dining Hall of Fame awards are presented annually to the owner or owners of restaurants that embody the highest standards of food preparation, table service, consistency of operation, employee training and motivation and enhance the fine-dining experience in general.

The 1988 award winners will be profiled in Food Trends in Fine Dining, a special magazine that will be published by Nation's Restaurant News May 9, 1988.

The 1988 winners will also be honored along with previous inductees at a champagne luncheon in Chicago in May during the National Restaurant Association show.

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## NEWS DIGEST

# Marriott set to begin Big Boy transformation

LOS ANGELES — Marriott Corp. is poised to begin the transformation of its 208 Bob's Big Boy coffee shops to a new dinner house concept bearing the name "Marriott," according to employees.

The hospitality giant, which transferred Big Boy franchise rights late last year to Warren, Mich.-based licensee Elias Brothers, is expected to erect the new signage at a number of its 135 units in Southern California.

"They're wiping out the Big Boy name and taking away the Big Boy statue," a Bob's employee said. Citing the recent installations here of $8.95 shrimp and barbecue buffets, a Bob's worker said Marriott wants to "get away from the coffee shop image and become more of a dinner house."

# Golden Corral's parent discloses Winners stake

BRENTWOOD, Tenn. — In yet another twist in the quest for control of the Winners Corp. fried-chicken chain, the parent of Golden Corral steak houses has disclosed its ownership of a 5.2-percent Winners stake.

Investors Management Corp., which operates franchised Church's fried-chicken units as well as the 500-unit Golden Corral chain, said it acquired 210,000 Winners shares solely for investment purposes. However, Investors chairman James Maynard said in an 1987 interview that the holding company plans to diversify in part through acquisitions.

Chain restaurant veteran F.J. Spillman has tendered a $4.25-per-share bid for the 90-percent of Winners he and partners do not already own.

Winners president Lonnie Stout II has vowed to combat any takeover attempt by outsiders. The company is negotiating a deal whereby its chairman, Jack Massey, would purchase additional Winners shares to expand his and his family's stake, which currently stands at 17 percent.

# Burger King tests Wolf Brand Chiliburger

DALLAS — Burger King is testing a chili-topped hamburger called the Wolf Brand Chiliburger, which takes its name from the locally popular Wolf Brand canned chili.

Tests of the 99-cent sandwich here and in San Antonio mark the second time Burger King has used the name of a retail product for a new version of its signature charbroiled burgers. Last year the fast-food giant introduced a Bull's Eye Barbecue Burger, named after a well-known brand of barbecue sauce.

The Wolf Brand Chiliburger sales trials began shortly after Burger King hired Mark Thomas, formerly Chili's menu specialist, as vice president of menu development and new products. Thomas assisted in transforming the Chili's concept from a so-called gourmet burger outlet into a casual dinner house with a broad menu.

# Wendy's gives Teter control over all company units

Teter

DUBLIN, Ohio — In the latest alteration of its management structure, Wendy's promoted Gordon Teter to executive vice president in charge of all 1,100 company units in North America.

That responsibility had been part of president Jim Near's duties since Rick Postle resigned as president of company operations to become a franchisee almost a year ago. At that time, with Wendy's reporting deep losses, Near decentralized the chain by reassigning five high-level executives to field positions.

Teter joined Wendy's in September as senior vice president of special projects. He was previously president of the Casa Lupita Mexican dinner house chain and has served as executive vice president of Casa Lupita's former parent, Ponderosa.

# KFC splits ad account, taps JWT for delivery

ATLANTA — Kentucky Fried Chicken has split its advertising account, reassigning responsibility for home delivery marketing to J. Walter Thompson Atlanta while retaining Young & Rubicam New York as the agency of record for all other work.

Previously, all KFC advertising was handled by Young & Rubicam New York.

J. Walter Thompson said it was chosen from among eight U.S. agencies.

# Kettle negotiates sale to investor group

HOUSTON — Kettle Restaurants, a 207-unit coffee shop chain based here, said it is negotiating with a group of Florida investors interested in acquiring all outstanding Kettle shares for an undisclosed amount.

The investors group, led by Ronald Hayes, Robert Hackney, and Augusta Equity Partners Ltd., already holds options to purchase approximately 34 percent of Kettle's stock for $8 per share, the company said.

Hayes is president of a Jupiter, Fla.-based concern called Lincoln Consulters & Investors. Hackney is a partner of the West Palm Beach, Fla.-based Hackney & Hackney law firm. Augusta is a Deerfield Beach, Fla.-based consulting and investment company.

# Annabelle's to develop unit for Embassy Suites hotel

CHICAGO — Annabelle's Restaurants, a local operator of seafood restaurants, said it had agreed to develop and manage a new crab house concept inside an Embassy Suites hotel planned for nearby Lombard, Ill.

Embassy Suites, an all-suites chain operated by Holiday Corp., has used a number of outside companies, including Restaurant Associates, Saga Corp., and S&A Restaurants, to manage its hotel food-and-beverage facilities.

The planned AnnaB's will feature crabs and fresh seafood, Annabelle's said.

# IACVB: Restaurants reap riches from conventions

CHAMPAIGN, Ill. — Restaurants gathered $8.7 billion in sales during 1987 from out-of-towners attending conventions, according to the International Association of Convention and Visitors Bureaus.

That tally represents 23.3 percent of the total $37.5 billion spent by convention attendees last year, the association reported.

# Ninfa's branches into home delivery market

HOUSTON — In a move that could break new ground in the burgeoning home delivery market, the 10-unit Ninfa's Mexican dinner house chain has launched a new business called Ninfa's Fajita Delivery Service.

Although many pizza and chicken restaurants have branched into home delivery in recent years, few Mexican outlets, and even fewer full-service concepts like Ninfa's, have followed their lead.

The new venture, which delivers Mexican side dishes as well as fajitas to patrons' homes, is under the direction of Ninfa's veteran Alfonso Rincon, who was recently promoted to director of operations.

# Mr. Steak expands menu in new marketing push

DENVER — Mr. Steak, the 83-unit steak house chain attempting to reorganize under Chapter 11 of the bankruptcy code, has added a line of traditional home-style meals, including pork chops, meat loaf, and roast turkey.

The Home Sweet Cookin' line is part of a new food-oriented marketing strategy that calls for Mr. Steak to launch a promotion of a new line of fajitas soon. The chain said it would also tout seafood during the Lenten season.

# Let the eating begin: Tourists descend on Calgary

## *175,000 Olympics fans to spend $30M on food*

**By Alan Liddle**

CALGARY, Canada — Olympics-bound tourists, an estimated 175,000 of them, are expected to spend about $30 million on food and beverages during the 16-day run of the games, tourism industry officials here said.

And dozens of local restaurateurs, in an effort to show they want to earn their share of that increased spending, have publicly pledged to avoid shady business practices.

In another Olympics-related development and in deference to Olympic visitors, the local alcohol control board is permitting Calgary pubs and taverns to stay open on the three Sundays that fall during the games. Calgary pubs are not normally permitted to do business on Sunday.

The "code of ethics" adopted by Canadian operators is part of an Olympic Hospitality Program encouraged by Olympic organizers, put together with the help of government tourism officials, and overseen by the 800-member Alberta Restaurant & Foodservices Association. The Calgary program was inspired by one developed for the 1984 Los Angeles Summer Games by the California Restaurant Association.

Buzzards Wine Bar and Bottlescrew Bill's pub are among the 102 Alberta Province restaurants taking part in the hospitality program. The code of ethics to which they and others have agreed asks restaurateurs to resist price gouging and building in hidden costs during the games, and it encourages them to offer "fair value," good service, and fair currency exchange rates.

Deborah Nickerson, Buzzards' general manager, said that before the games started on Feb. 13 her entire staff attended a six-hour, four-part service seminar staged as part of the hospitality program.

The seminar, she said, addressed such things as the cultural differences that might arise while foreign customers are being served, and it provided general information that might answer tourists' most common questions about the Olympics.

"We've put about 2,000 people [primarily front-of-the-house employees] through the training seminars since the first of October," Al McRoberts, executive director of the restaurant association, said.

Nickerson said that operating hours at her establishment had been extended in anticipation of increased business and that extra menus had been printed in French and German.

Special promotions at her restaurant include the sale of sweat shirts depicting the Buzzards' mascot involved in various Olympic events.

As an indication of how big events can affect the business climate in Calgary, a city of about 640,000 people, Nickerson said that during the city's annual Calgary Stampede, a rodeo that draws about 100,000 visitors, sales can rise to double or triple the norm.

Joy Kolsun, of the Calgary Tourist and Convention Bureau, said she expected the economic impact of the Olympics to greatly surpass that of the Stampede because the average tourist is staying five to seven days for the games compared with two or three for the rodeo.

Kolsun said visitors to the Olympics are expected to spend $87 million on lodging, food, and miscellaneous items. About half, or 82,000, of those tourists will be from the United States, with another 7,000 from other countries, she predicted.

"Everybody is really geared up for the Olympics and expecting visitors from all over the world," she said, adding, "I think we'll be good hosts."

**XV Olympic Winter Games**

**Projected food-service sales:** $8 million to $10 million
**Food-service contractors:** 40
**Food-service workers:** 4,100
**Attendance:** 1.6 million tickets sold
**Estimated tourism generated:** 175,000 visitors/$87 million
**Estimated dollar benefit to local restaurants:** $30 million

Source: NRN

# *Mantle hits Central Park home run with namesake restaurant, sports bar*

**By Ken Frydman**

NEW YORK — New York Yankees' Hall of Fame slugger Mickey Mantle has teamed up with New York Restaurant School founders Bill Liederman and John Lowy and several West Coast investors to open his namesake restaurant and sports bar overlooking Central Park.

Principal investors Sam Stein and Jan Clark spent $750,000 to open Mickey Mantle's on the 9,200-square-foot site of what had been a French restaurant called Les Tuilleries. Fortunately for them, it was in considerable financial hardship at the time of its demise.

"We got a 15-year-lease at $45-a-square foot with all the equipment thrown in and no key money," said Liederman while leading a tour of the 3,200-square-foot downstairs prep kitchen, which runs the length of the block from Central Park South to West 58th Street.

Liederman projects gross sales of $100,000 a week at Mickey Mantle's—or $5.2 million during the first year of operation.

"We did $35,000 over the first four nights," he said.

The baseball-memento-packed restaurant-bar at 42 Central Park South, opened to the public early this month, has been attracting a demographic mix of tourists from the hotels along Central Park South, business people from midtown Manhattan, and sports fanatics anxious to watch their favorite teams in action on the television monitors. But the biggest draw has to be the legendary 57-year-old Mantle himself, who will spend at least 45 days a year on the premises, he said.

"We've been getting calls from people in Chicago and Washington who are coming to New York and want to reserve a table," said reservation clerk Chauncey Gilbert. "Mickey Mantle is still a very popular sports figure."

So popular, in fact, that "we're three deep at the bar and have been turning away reservations every night," Liederman said.

However, Mickey Mantle's is intended to be much more than a sports shrine. Together with his brother, David Liederman of David's Cookie's and Chez Louis restaurant fame, Bill Liederman and day-to-day operating partner John Lowy have created a contemporary food menu for their 140-seat bilevel restaurant and 40-seat bar.

Hoped-for signature entrée items will include pecan-breaded breast of chicken ($16), hickory-smoked St. Louis ribs ($17), and half-pound choice chopsteak hamburgers ($13). Key appetizers are oysters ($9) and clams ($7) on the half-shell and Louisiana crab cakes in spicy pepper sauce ($8).

Liederman and Lowy plan to open soon for lunch and add a 3 p.m. -to- 5 p.m. limited-menu period called "Mickey's Quickies." And a possibility down the road is a chain of Mickey Mantle's in such baseball-crazy places as Tokyo and southern Connecticut, said Liederman.

For his part, Mantle has agreed to make 12 promotional appearances a year at Mickey Mantle's to "sign books and baseballs," Liederman said. Mantle will be paid an $80,000-a-year fee for the merchandising rights to his name plus a small equity percentage in the operation.

In a savvy merchandising move, Liederman and Lowy managed to secure the telephone number (212) 688-7777 for Mickey Mantle's: Mantle wore uniform No. 7 every year but his rookie season, when his number was 6.

"We wanted to get 777-7777, but it would have cost us $50,000 to get that Wall Street exchange and have the telephone company run a special wire into the place," said Liederman, who has outfitted the service staff in No. 7 uniforms.

After 18 years with the Yankees, Mantle retired after the 1968 season with 536 home runs and a debilitating knee injury.

He subsequently lent his name to bowling alleys; bought a piece of a Holiday Inn in Joplin, Mo.; broadcast Yankees games and became a partner in a failed chicken restaurant chain, Mickey Mantle's Country Kitchen.

The chain's logo, "To Get a Better Piece of Chicken You'd Have to Be a Rooster," was undoubtedly more memorable than the product.

NRN Photo

**Mickey Mantle speaks at his opening-day press conference.**

# Oakland, citing urban blight, halts new restaurant permits

**By Alan Liddle**

OAKLAND, Calif. — Concerned that fast-food restaurants are leading to urban blight, this city is clamping down on new outlets.

Citing problems of blight around failed fast-food restaurants and problems associated with some of the survivors, the city council placed a 90-day moratorium on the issuance of new permits for such businesses.

Exceptions to the ban, which covers all but two industrial areas of the city, will be made for operators proposing to open in shuttered restaurants, city officials said.

Alvin D. James, Oakland planning director, said the moratorium was passed in an effort to halt development of new fast-food restaurants while his staff investigates the possibility of "tightening controls over these types of [land] uses."

At least one councilman, Leo Brazile, reportedly favors basing future approval of permits on demographic studies supplied by operators. He recommended that they be required to demonstrate beforehand that a new restaurant can survive at a proposed site.

*Some councilmen voted to widen the ban because they, too, were concerned about vacant restaurants that have become magnets for graffiti, litter, and loiterers.*

It was Brazile who raised the issue of a moratorium. But his proposal was aimed at just his district, where four of at least six abandoned fast-food restaurants are located.

Planner James indicated some of Brazile's colleagues voted to widen the ban because they, too, were concerned about vacant restaurants that have become magnets for graffiti, litter, and loiterers.

Others, he said, supported a near citywide ban because of concerns about other problems, such as the disruption of traffic, which they associate with operating units.

Oakland restaurants flying the banners of Pioneer Chicken, Wendy's, Jack in the Box, and Church's Chicken as well as a unit run by a defunct regional operator, Doggie Diner, have closed in recent years and, in some cases, remain vacant.

Popeyes' Fried Chicken tried to open in one of the shuttered sites, but neighborhood opposition ultimately killed the project.

# Operators exchange ideas at Miami meet

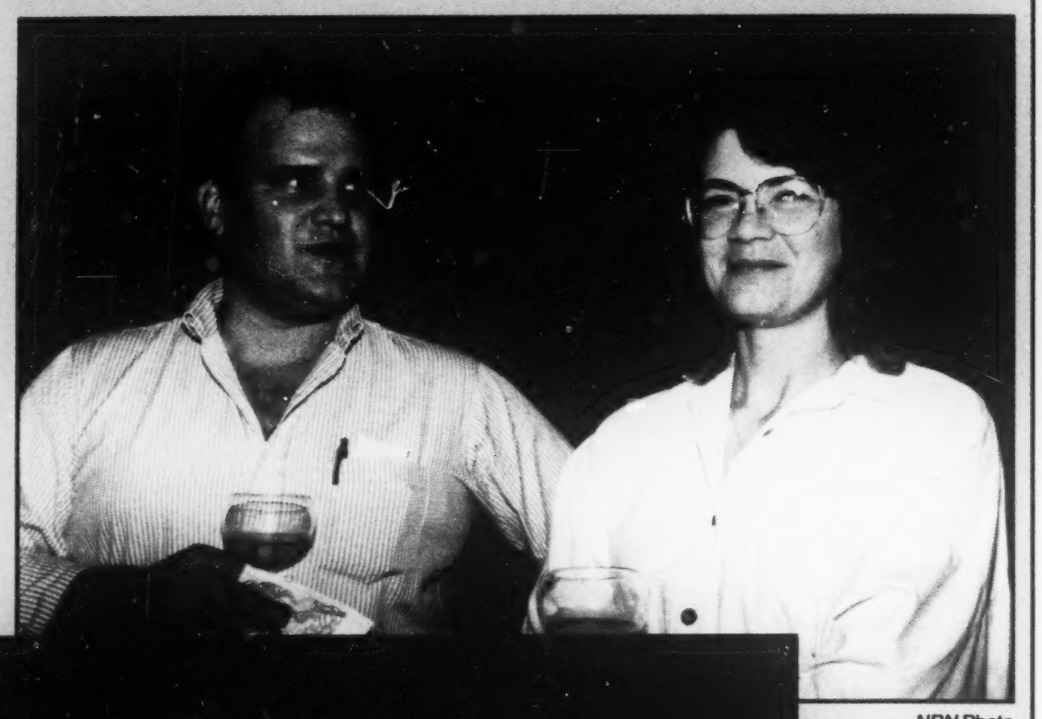
MIAMI BEACH — About 160 independent restaurateurs from around the country converged on the Fontainebleau Hilton Resort for a three-day midwinter conference sponsored, in part, by the Education Foundation of the National Restaurant Association.

In between informal get-togethers and walks on the unseasonably chilly Atlantic Ocean beaches, restaurateurs exchanged notes and ideas.

They also attended a variety of workshops and listened to speeches on restaurant design basics, service, management techniques, fish and seafood essentials, catering, and menu marketing. Other topics included interviewing, supply-side management, seasonal operations, managing family businesses, public relations, expansion, turnaround tactics, and signature foods for grocery sales.

The restaurateurs also heard speeches by Robert Patterson of Laventhol & Horwath; Gary Penn of the Professional Waiter's School; Leslee Reis of Cafe Provençal in Evanston, Ill.; and Mike Hurst of the 15th Street Fisheries.

**Eric and Terri Skoog of Cronk's Café in Denison, Iowa, talk over refreshments during a break in the action. Below, Bob Nyman of George Lang Corp. trades ideas with Leslee Reis of Café Provençal.**



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# Ryan's tests Italian items in its Megabar buffet

## *Doubles weekend breakfast test*

**By Rick Van Warner**

GREENVILLE, S.C. — After shelving its Italian dinner house project, Ryan's Family Steak Houses Inc. has begun testing an array of Italian items on its all-you-can-eat Megabar buffet.

At the same time the 98-unit operator has doubled its test of weekend breakfast to four stores, and it is exploring Mexican fare and testing a double-serving line.

Ryan's, which is scrambling to keep sales climbing, had put the "At'sa Pasta" dinner house idea on hold following the October stock market crash. With the concept behind it, the company is concentrating on spurring sales with new products.

The Italian fare now is being tested in six stores, Monday through Wednesday. Lasagna, spaghetti, pizza, Italian sausage, ravioli, seven different pasta salads, and Italian vegetables are being offered on those days from one side of the $3.99, self-serve, 60-item Megabar.

"At this point, we've gotten good response from customers," said Mark McCall, Ryan's chief executive. "They are eating those products somewhere now; hopefully we'll draw them in and increase frequency."

Meanwhile, Ryan's said it would decide whether to add breakfast chainwide within a few weeks. That daypart, which is also being offered on one side of the Megabar on Friday through Sunday, has generated more than 6 percent of incremental sales in test stores, McCall said.

A double-serving line designed to help Ryan's improve speed of service is currently being tested in one restaurant. In recent months the chain expanded seating by 30 percent in its units. The double line would enable stores to seat customers quicker, eliminating troublesome serving-line backups, McCall said.

In addition, he said Mexican menu items are on the drawing board, but he would not elaborate.

Ryan's, which has opened two company stores this year, plans to open 24 more company restaurants and six franchised outlets in 1988. Plans call for expansion into Missouri and Louisiana, where the company currently has no restaurants. It also plans to strengthen its presence in the Midwest, where about 30 percent of the chain's restaurants now operate, McCall said.

# Snow sets $3.5 million price for Seville Quarter

**By Karen Bruno**

PENSACOLA, Fla. — Bob Snow, the Orlando, Fla.-based entrepreneur known for the success of an entertainment and dining extravaganza called Church Street Station, has put the Seville Quarter, its precursor, up for sale.

"The terms are very negotiable," Snow said of the boarded-up complex, which has been closed since December 1986. "I'm anxious to dump it." The asking price is $3.5 million.

Seville Quarter, which opened in this sleepy town in 1967, was the genesis of Church Street Station, which opened in the early '70s. The Seville Quarter complex included Rosie O'Grady's Good Time Emporium, a New Orleans-styled saloon and dance hall that became Church Street's biggest money-maker.

Among the concepts that constituted Seville Quarter and turned up at Church Street are Lili Marlene's, modeled after a French cafe; Apple Annie's, a fruit-bar and Victorian-era saloon; and Phineas Phogg's Balloon works, a disco and hamburger outlet.

*Seville Quarter was once considered the largest attraction on Florida's Gulf Coast.*

Unlike Church Street Station, however, Seville Quarter never benefited from the huge growth of tourism that hit Orlando in the late '70s and afterward. Nevertheless, the complex was considered the largest attraction on Florida's Gulf Coast, with sales of $4 million a year in 1984, its last year of operation.

Snow first sold Seville Quarter in 1984 to buyers who later defaulted on payments. After he bought it back a year and a half ago, he renovated it and again put it on the market. The sale includes all the antiques Snow uses to decorate the 35,000-square-foot complex.

"I have too much going on to run it," Snow said. Some of his projects include construction of a new hotel at Church Street Station and an entertainment complex, Winchester Station, in Las Vegas, Nev.

"It's like walking into a time capsule," he said of the empty buildings. "But you can't go backward."

## CORRECTION

"Olympic organizers hire ARA as feeding consultant," Jan. 25, page 2, incorrectly indicated that ARA Services' total annual sales are $1.2 billion. That number is an estimate of only domestic manual food-service revenue. Including vending, international, and coffee service revenues, ARA's total annual sales are about $2 billion, company officials said.

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Vol. 21, No. 8 February 22, 1988

FINANCIAL NEWS

# CFRA: Take-out and delivery sales to boost Canadian food growth in '88

TORONTO — A 14-percent rise in take-out and delivery sales will nudge total Canadian food-service revenues upward by 7 percent this year, yielding an inflation-adjusted growth of only 2.5 percent, according to the Canadian Restaurant and Foodservice Assocation.

In revealing its annual sales forecasts to members, the CRFA said the coming "steady but unspectacular" year bodes particularly ill for full-service restaurants that sell liquor. Such places will be "fighting to keep pace with inflation," with nominal sales projected to inch upward by 5 percent, or by a negligible 0.5 percent in inflation-adjusted, or real, terms, the association said.

"The aging baby boomers are believed to be the culprit," the CRFA stated in its monthly newsletter. "Their belated decision to have children and their growing moderation in the consumption of alcoholic beverages are having an impact. The purchase of housing by this group at a record level in 1987 has also forced these heavy restaurant users to cut back expenditures in other regions."

That theory has been used by casual-theme restaurant chains in the U.S. to explain that segment's lackluster financial performance in recent years.

However, U.S. fine-dining restaurants, which seem mired in sales and profit slumps of their own, prefer to blame their financial woes on a combination of trying economic times, cutthroat competition, and runaway commodity prices.

The Washington-based National Restaurant Association has forecasted a 7.1 percent upswing in total U.S. food-service sales for 1988. That translates into real growth of 2.9 percent. The U.S. trade group does not break out figures for full-service restaurants licensed to sell alcohol.

Restaurants of that type outpaced all other categories of Canadian food-service establishments in sales growth during 1985 and '86, posting jumps of 11.9 percent and 10.9 percent, respectively. However, the boom went bust last year, with sales rising only 5.5 percent, or 1.6 percent in real terms.

In 1988, the CRFA predicts, take-out and delivery outlets will set the pace, with real sales likely to soar by 9.5 percent.

"The growth of in-home entertainment, the echo boom [the baby boom spawned by Baby Boomers], and the high level of microwave ownership will stimulate above average growth for this sector," the CRFA said.

Also likely to perform well this year, the association said, are social and contract caterers, with sales forecasted to swing upward by 9 percent. However, that gain pales in comparison to the 15.2 percent jump registered in 1987.

Canadian restaurants that are not licensed to sell liquor are expected to take in 9.5 percent more in sales during 1988 than they did the prior year.

That segment's players, including fast-food outlets, "are regaining the customers lost to full-service restaurants during the heady economic expansion of 1985 and 1986," the CRFA commented. "Menu broadening has expanded the appeal of many convenience restaurants and boosted check averages. New concepts, such as diners, have developed their own market niches."

Although those places will no doubt feel a mounting Canadian labor shortage and the resulting upward pressure on payroll costs, they will be unaffected by an increase in the federal taxes on alcoholic beverages.

Those two factors—increased labor costs and rising taxes—will raise the inflation rate for Canadian food-service facilities to 4.5 percent, compared with last year's pace of 3.9 percent.

**CANADIAN FOOD-SERVICE SALES TRENDS BY SEGMENT**

(Annual change, in percent)

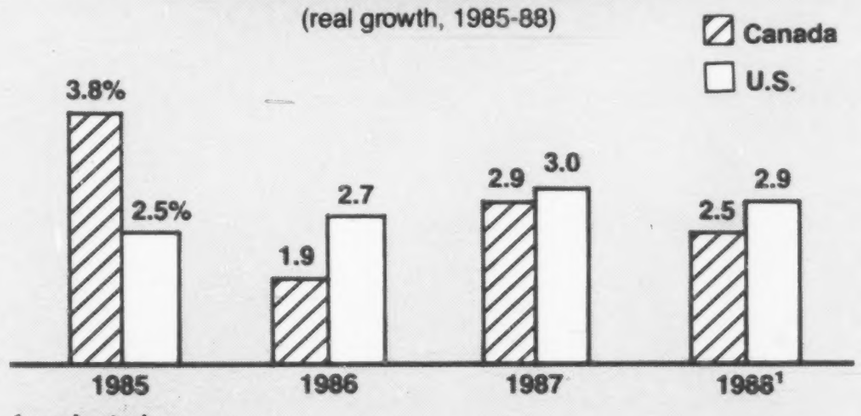
| | 1987[1] | 1988[2] |
|---|---|---|
| Liquor-serving restaurants | 5.5% | 5.0% |
| Restaurants without liquor licenses | 8.8 | 9.5 |
| Institutional facilities | 3.0 | 4.5 |
| Take-out/delivery | 16.3 | 14.0 |
| Catering | 15.2 | 9.0 |
| Taverns | 6.2 | 6.0 |
| Motion picture theatres | 5.8 | 8.0 |

[1]Preliminary
[2]Projection

Source: Canadian Restaurant and Foodservice Association

**CANADIAN FOOD-SERVICE SALES VS. U.S. FOOD-SERVICE SALES**

(real growth, 1985-88)




[1] projected

Source: Canadian Restaurant and Foodservice Association, National Restaurant Association

## NRN FINANCIAL DIGEST

### Marriott posts big earnings gains

BETHESDA, Md. — Despite meager gains from its restaurant operations, Marriott Corp. posted a 16-percent rise in net earnings, to $223 million, on a 24-percent rise in revenues, to $6.5 million.

Chairman J.W. "Bill" Marriott Jr. attributed the gains to favorable economic conditions. In contrast, most restaurant concerns have described the industry's current environment as extremely trying.

A 10-percent leap in contract-feeding operating profits offset the dampening effects of a 4-percent incline in restaurant operating earnings. Restaurant sales rose 10 percent, while contract-feeding intake bounded upward by 33 percent.

Hotel operating profit increased 22 percent on a 20 percent sales rise.

### Perkins' fourth-quarter income rises

MEMPHIS — Perkins Family Restaurants, the 330-unit family restaurant chain seeking to acquire a 170-unit crosstown rival for $93.6 million, reported an 85-percent rise in net income, to $1.2 million, for the fourth quarter.

Revenues were $33.9 million, down 7.7 percent from the prior year, according to the company. The most recent quarter was 24 days shorter than a year-ago period.

Perkins recently bid $13 a share for all outstanding stock of Shoney's South, a Shoney's Inc. franchisee.

### Pepsico restaurant profits gain in '87

PURCHASE, N.Y. — The combined operating profits of Pizza Hut, Taco Bell and Kentucky Fried Chicken rose 57 percent during 1987 on the strength of a 58-percent sales jump, disclosed the chains' parent, Pepsico Inc.

Pizza Hut and Taco Bell collectively posted a 12-percent rise in profits, with the remainder of the earnings increase coming from Kentucky Fried Chicken, Pepsico said.

Net income totalled $595 million, up 30 percent, as revenue rose 26 percent to $11.5 billion.

### Foodmaker's profits up in 1st quarter

SAN DIEGO — A 16-percent rise in comparable unit sales for the first quarter ended Jan. 17 yielded an eight-fold rise in net profits for Foodmaker Inc., franchisor of the Jack in the Box burger chain.

Earnings totaled $3.2 million, compared with the $400,000 posted for the same period of the prior year, the company said.

Revenues for the most recent quarter were $194.6 million, up 14.5 percent from the prior year, according to Foodmaker.

### Callender's 'disappoints' Ramada

PHOENIX — The Marie Callender's coffee-shop chain generated a "disappointing" $8.8 million in operating profits on revenues of $113.1 million last year, lamented its new parent, Ramada Inc.

The innkeeper noted that it garnered only $1.6 million more in operating earnings from Callender's last year than it did in 1986, when Ramada owned the restaurant chain for only seven months.

## ADVERTISER INDEX

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*Denotes regional ad.


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Nation's
# Restaurant News®
*The Weekly Newspaper of the Food-Service Industry*

Vol. 22, No. 9 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $26.50 a year | February 29, 1988

# BK revives old themes in new ads

By Marilyn Alva

MIAMI — Resurrecting advertising elements that worked well in the distant past, Burger King's sorely needed new advertising campaign debuts this week on national television with the theme "We Do It Like You'd Do It."

It comes five months after switching advertising agencies, more than two years after introducing Herb the Nerd, and a year after "Best Food for Fast Times" commercials, which did nothing to lift unit sales that have been flat since 1985.

The new campaign by N.W. Ayer Inc. in New York signals a return to the flame-broiling years of the early 1980s, when Burger King's broiling-vs.-frying commercials directed at McDonald's contributed to impressive sales growth and earnings.

**Pillsbury mulls Godfather's divestiture**

Plans to invest heavily in Burger King, Bennigan's, and Steak and Ale concepts.

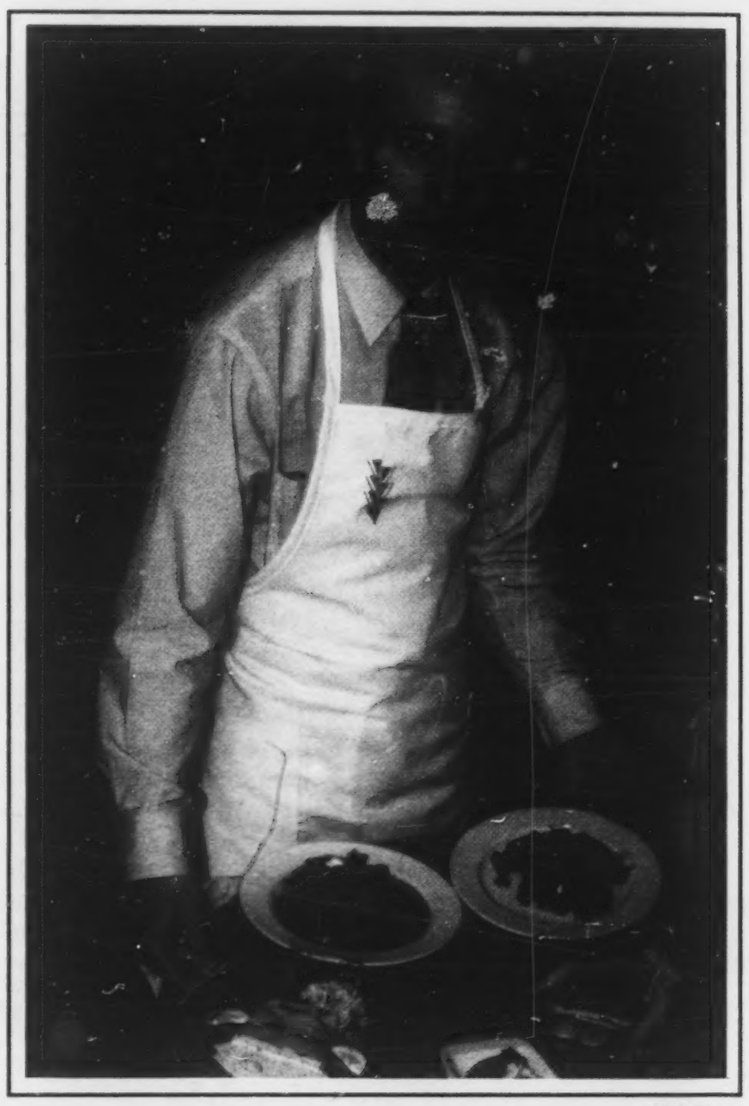
Page 20

It also intentionally incorporates an advertising message that was created for the chain back in 1974—from the popular "Have It Your Way" campaign—by stressing that it makes burgers the way people would if they were to make burgers at home on their backyard barbecues.

Burger King said the overall strategy of the campaign is to stress the superiority of the chain's most popular product —the flame-broiled burger. Chain executives said they directed the new agency to create a campaign that linked taste, flame-broiling, and the 14-year-old "Have It Your Way" concept.

"It is getting back to basics, getting

*(See **BURGER KING**, page 20)*



NRN Photo

**Prairie waiter displays Sheboygan sausage, trout, wild mushrooms, and game loaf.**

# Food flap

## *New Heartland cuisine splits Midwest operators*

By Carolyn Walkup

As a growing number of fine-dining restaurants begin promoting Midwestern food as an emerging culinary genre, a debate over its authenticity is heating up.

Throughout the nation's heartland, restaurants promoting the Midwest as a theme include Richard Perry in St. Louis; Peter's in Indianapolis; The Immigrant in Kohler, Wis.; and Tapawingo in Ellsworth, Mich.

The newest restaurant to promote Midwestern cuisine is Prairie, owned by the Chicago Dining Authority in Chicago.

Dan Rosenthal, the industry veteran who heads the Chicago Dining Authority, asserts it is time to establish Midwestern cuisine as the next major trend, rather than to expand the cooking style of California.

But other owners of new American restaurants are reluctant to narrow their scope to Midwestern food.

For instance, Michael Foley of Printer's Row and Foley's in Chicago stated adamantly: "We don't do Midwest cuisine. We cook for the taste of the season in the Midwest."

"I am not looking to jump on a Midwest cuisine bandwagon. It's just a means of building business and the next hype," said Foley, whose flagship restaurant, Printer's Row, is located one block from Prairie.

"I'm looking to build a high-caliber food-and-beverage service and a pleasant, straightforward approach to eating contemporary foods. I'm not looking to be a trendy

*(See **MIDWEST**, page 106)*

# Bommarito named IFMA Silver-Plated independent

By Charles Bernstein

CHICAGO — Vincent Bommarito, the St. Louis entrepreneur who took over Tony's neighborhood spaghetti house in 1949 at age 18 after his father died, has been voted the International Food Service Manufacturers Association's 1988 Silver Plate Independent Operator of the Year.

He was selected in balloting at the O'Hare Westin here from a formidable field of 16 contenders in this first of nine categories. The candidates included leading single-unit operators and renowned multi-unit group independents.

Bommarito has fashioned Tony's, a 1984 Nation's Restaurant News Fine Dining Hall of Fame winner, into an Italian cuisine leader.

He was a sentimental, as well as artistic, favorite here because of the heroic struggle he is waging to save his restaurant from the threatened construction encroachments of the St. Louis Convention Center.

Bommarito was one of five prime contenders who appeared to emerge from the voting of food-service publication chief editors and last year's Silver Plate winners for

*(See **IFMA**, page 106)*

# Church's gets religion: Back to basics

By Rick Van Warner

SAN ANTONIO — Battling to reverse more than two years of plunging sales, Church's Fried Chicken Inc. is simplifying store procedures, restructuring operations management, and honing its image as a low-price fast feeder.

After purging its menu of products that bogged down operations and lowered menu prices by about 2 percent, the 1,500-unit chicken operator is once again focusing on its blue-collar customer base.

"We're America's low-cost, take-out chicken chain," said Wallace Winslow, vice president of marketing. "We're continuing to drive home our two big advantages—low prices and large portions."

In recent years Church's lost sight of its original niche by positioning itself directly against segment leader Kentucky Fried Chicken. But after several quarters of dismal results, the nation's second-largest chicken chain is now fighting to regain dominance in the inner-city and blue-collar markets where it once reigned supreme.

Spearheading recent efforts is a new 8-ounce "Chicken Big" sandwich that sells for 99 cents and an advertising campaign with the tag line "big pieces, little prices." In addi-

*(See **CHURCH'S**, page 102)*

## FOOD WATCH

### *Seafood brochettes: Sizzle on a skewer*

HOUSTON — Seafood brochettes are scoring points when they serve as appetizers at several casual dinner houses around town.

The Ruggles Grill on Westheimer adds a Southwestern twist to its grilled brochettes of shrimp and jalapeño pepper slices wrapped in thinly pounded slices of chicken breast and bacon. They are served with a beurre blanc sauce and sides of pico de gallo and guacamole. "I sell a ton of them," said chef-owner Bruce Molzan.

Brochettes containing large shrimp and an oyster wrapped in crisp bacon are served at Willie G's on Post Oak Boulevard, the two Landry's restaurants, and Glatzmaier's on Montrose Boulevard. Glatzmaier's variation is oven baked with honey-mustard sauce on the side.

Willie G's and Landry's—which share the same ownership—also combine shrimp with scallops. The brochettes are grilled over mesquite and charcoal and are accompanied by cocktail and tartar sauces and lemon slices. Servers at both Willie G's and Landry's suggest brochettes as "specials."

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## NEWS DIGEST

# Foodmaker agrees to buy Chi-Chi's in surprise deal

SAN DIEGO — In a startling move, Foodmaker Inc., parent of the 900-unit Jack in the Box burger chain, has signed a definitive agreement to acquire Chi-Chi's Inc., the Mexican dinner house operator, for $230 million in cash.

Although Chi-Chi's has been stalked in recent months by several concerns, including leveraged-buyout specialist Levine, Tessler Leichtman & Co., Foodmaker was not identified as one of the suitors. Earlier offers were not all cash.

Foodmaker said it would retain Chi-Chi's current management and would allow the Mexican chain to remain in Louisville, Ky.

# Pepsi erases fountain division in restructuring drive

SOMERS, N.Y. — Pepsi-Cola Co. has erased its fountain beverage division, transferring responsibility for supplying restaurants and other fountain customers to four new regional offices.

As part of the reorganization, "cutbacks are being examined, a spokesman said. However, Pepsi-Cola denied reports that as many as 500 jobs have been or will be eliminated, claiming the number was "excessive."

John M. Cranor, former fountain beverage division president, was reassigned to head one of the four new regional divisions.

# Arby's inks pact to license cookie concept nationwide

ATLANTA — Arby's has inked a joint venture agreement with Cedar Rapids, Iowa-based Flour Pot Cookies, whereby the roast beef chain will be franchisor of the gourmet cookie concept nationwide.

The 1,880-unit chain also expanded to 12 restaurants its test of selling Flour Pot cookies, ice cream, and muffins through in-store satellite stations.

Flour Pot Gourmet Foods, the venture company, will franchise outlets for a variety of locations, including strip centers, mall food courts, hospitals, and convenience stores.

Aside from the 12 Arby's restaurants, Flour Pot Cookies has 12 locations nationwide.

# Pritzkers mull acquisition, restructuring of Ramada

RAMADA — Chicago's Pritzker family, owners and operators of Hyatt Hotels, said it had met with unidentified third parties to discuss a possible acquisition or restructuring of Ramada Inc., parent of Ramada Inns and the Marie Callendar's coffee shop chain.

A Pritzkers-led group is Ramada's largest stockholder, having amassed a 7.2-percent stake in recent months. The group also includes Dalfort Corp. of Dallas and Genesis Group L.P. and Equity Growth Partners, both of Chicago.

The Pritzkers would not disclose the identities of those third parties with which it has met. The clan noted that it was also discussing a purchase or restructuring of Ramada with Dalfort, Genesis and Equity.

# NYC considers plan to ban disposable utensils, dishes

NEW YORK — The City Council has held public hearings on a proposal to ban the use of disposable plates, utensils, and cups in restaurants here.

New York State Restaurant Association president Fred G. Sampson sharply criticized the bill during the hearings. He warned that many small neighborhood-type places would die "because they do not have the space or financial resources to use permanent-type eating utensils."

It was not clear whether the proposal would cover disposables included in take-out orders.

# Wash. operators mount effort to temper wage hike

SEATTLE — Industry leaders here are attempting to rouse operators into voicing their concerns about a seemingly inevitable increase in the state minimum wage.

Both the state House and Senate have passed increases. The Restaurant Association of the state of Washington supports the Senate measure, with sets the hourly wage ceiling at $3.35. The House version calls for an increase to $4.70.

The association is striving to have meal and tip credits incorporated into whatever version of the proposal is signed into law.

# S&A negotiating Bay Street sale to management group

DALLAS — S&A Restaurant Corp. is negotiating a sale of its 16-unit Bay Street seafood dinner house chain to a management group led by senior vice president Alan Palmieri.

S&A put its Bay Street chain on the block last November as part of a streamlining effort by its parent, Pillsbury Co. The conglomerate is also contemplating a sale of its 600-unit Godfather's Pizza chain.

"We've great hopes for their success," Lane Cardwell, S&A's senior vice president of strategic planning, said of the Bay Street management group's buyout effort.

# Shire returns to Boston to open own restaurant

BOSTON — Chef Lydia Shire, who left the renowned Seasons restaurant here two years ago to become executive chef of the Four Seasons hotel in Los Angeles, has returned to this city to open her own restaurant.

The as-yet-unnamed establishment is scheduled to open later this year.

# KFC tests new sandwich in latest lunch trial

LOS ANGELES — A company-operated Kentucky Fried Chicken unit here is testing a new sandwich called Chicken on a Bun—a chicken fillet served on a sesame-seeded roll.

The chain appears to be assessing the feasibility of the sandwich as a new weapon in its effort to raise lunch sales.

# *Wendy's gets a break, pulls into black*

DUBLIN, Ohio — A $15.6 million tax break pulled Wendy's International Inc. out of the red last year.

The tax benefit helped Wendy's post net income of $4.5 million for the year ended Jan. 3, 1988, despite a $12 million operating loss. The profits of 1987 followed a $5 million net loss in 1986 on operating income of $11.3 million.

The tax breaks stemmed from the sale of company assets, including its Sisters chicken-and-biscuits chain, in the United States and West Germany.

Revenues were $1.1 billion, down 7.1 percent from prior-year results.

Average sales per unit totaled $741,000, up 1.7 percent over the 1986 figure on a 3-percent increase in company-store menu prices during the fourth quarter.

Systemwide sales for 1987 rose 4.4 percent, with a 2.4-percent increase in the number of units in operation last year.

"I am particularly pleased that the programs we began in 1987 are starting to produce favorable sales trends," Robert Barney, chairman and chief executive, said in a statement.

Wendy's said last year's "favorable tax treatment" offset write-offs stemming from the installation of Superbars at 1,050 company stores at a cost of more than $30,000 each.

The buffet helped buoy sales at company units by 3 percent in real terms for the fourth quarter of 1987, Wendy's said.

# California wage fight moves to legislature

By Alan Liddle

SACRAMENTO, Calif. — Food-service lobbyists here are gearing up for a battle over the minimum wage as the fight moves from a state agency to the legislature.

Proposed legislation eliminating an exemption for tipped employees under California's new $4.25-an-hour minimum-wage guidelines has prompted the state restaurant association to devise an "on-call" defense.

According to California Restaurant Association officials, the organization has created a "task force" of prominent members who could make it to the Capitol within minutes to testify at public hearings on the bill should any be called on short notice.

*The 'task force' could appear to testify within minutes should the bill be called.*

The battle in California comes at a time when passage of a raise in the federal minimum wage seems increasingly certain. As a political strategy, the National Restaurant Association is seeking a complete exemption from minimum wage requirements if employees can earn the pay floor in tips.

The California exemption in question would permit restaurateurs to pay some student workers, learners, and employees receiving $60 or more per month in tips a subminimum wage of $3.50 an hour when the new $4.25 standard takes effect July 1. Loss of the exemption would mean a prohibitive increase in payroll expenses for operators, CRA officers maintain.

The CRA lobbied diligently for the tipped-employee exemption approved by the state's Industrial Welfare Commission late last year. Industry leaders testified at commission hearings that without the exemption, the increased expenses could force operators to cut back on employee hours, hike menu prices, raise employee contributions to health plans, or rely on a combination of those measures.

## *'On-call' task force made ready*

Jo-Linda Thompson, CRA director of legislative affairs, said the legislation calling for elimination of the tipped-worker exemption, Assembly Bill 1187, had already cleared the floor of both houses.

"It's ready to jump on us," she warned.

If normal procedures are followed, Thompson said, the bill would be reconsidered by the Senate Industrial Relations Committee and then returned to the Assembly floor for further scrutiny before enactment. That should happen because Assemblyman Dick Floyd created the measure by heavily modifying an earlier proposal.

However, Thompson cautioned, because of loopholes in the legislative process, it is difficult to tell where, or if, the bill will surface before enactment.

"We have urged every restaurateur to contact his or her state senator immediately to express opposition to the bill," Thompson said.

Because there is a chance public hearings could be called on the matter, though Thompson said none had been scheduled as of Feb. 16, the CRA created its task force of Sacramento-area operators.

Task force members include CRA president Eppie Johnson of Eppie's Restaurants; Mike and George Dariotis of the Old Spaghetti Factory; Lena Fat of California Fat's and other Fat Family Restaurants; George Potiris of Mr. Perry's, Perry's Original, and Kallie's restaurants; and Sam Manolakas of Bradshaw's.

Opponents of a tipped-employee exemption, including Assemblyman Floyd and organized labor, contend that existing state statutes prohibit the IWC from creating such a worker classification when the minimum wage is set. Thompson and attorneys for the hotel industry claim that those statutes do not apply.

In a related development, CRA officials reported that two recently proposed bills call for the new minimum wage to take effect as early as April 1. It was difficult to judge the support for either bill, they said, because neither had been taken up for any sort of action as of Feb. 16.

NRN Photo

**A display in Chopstix offers food and souvenirs.**

# Chopstix: dim sum success

*(Continued from page 3)*

end and stations for cold food and dim sum assembly at the other.

Pass-through windows from both sections connect them to a central beverage-and-take-out station, which may eventually open out to a planned drive-thru window.

The computerized order-entry pads offer advantages of mobility and efficiency that permit a Chopstix waiter even to go "across the street to the senior citizen home and take orders room to room," remarked Bill Milham, the cafe's co-founder.

"But the really nice thing," added Milham's partner, Chin Chin veteran Brant Benun, "is we can go out to people waiting in line and take their orders."

An initial consumer response that has packed the restaurant to overflowing since its Feb. 2 debut implies that such capabilities may not go unused.

Even though long-legged stool-chairs accommodate only 20 patrons at the counter and 35 more at round, pedestal tables, the cafe's built-in service efficiencies result in rapid customer turnover and high-volume take-out capabilities.

*'But the really nice thing,' added Milham's partner, Brant Benun, 'is that we can go out to people waiting in line and take their orders.'*

Menu prices have been geared to extract average per-person tabs of only about $6 at lunch and $8 at dinner.

However, anticipating service of at least 500 daily covers plus an equal dollar volume in take-out and delivery, Milham and Benun expect Chopstix to generate annual sales of about $2 million and a 10-percent profit margin.

# More Chopstix units planned

*(Continued from page 3)*

general partnership action.

Milham and Benun are currently negotiating for a second Los Angeles location, in the Sherman Oaks shopping center where a Johnny Rockets malt shop branch recently opened.

The partners intend to launch three or four more Chopstix units in the next two years, Milham said, before they decide "how long it might take to open 200."

### A grazing concept

But making a return on their investment in Chopstix depends largely on good food, the two agree.

"This is considered a grazing concept," Milham said, citing the grab-bag appeal of its many small Chinese dishes and dim sum dumpling specialties, which are "inexpensive, colorful, and very appealing to the eye."

Benun believes Chopstix will become popular because its Chinese cooks are "taking their cuisine and exposing it, cooking it fresh, in front of you."

The nothing-to-hide approach even extends to the cafe's behind-the-scenes prep kitchen, which is visible from the street through a full-length picture window.

### Enjoys brisk volume

Along with negligible dim sum competition in the immediate neighborhood, Chopstix enjoys the relatively brisk volume of pedestrian traffic—a rarity in car-oriented Los Angeles—that wends its way through the avant-garde boutiques of Melrose Avenue.

"We seat about 20 parties when we're full, yet we've been averaging only eight or 10 cars in our lot," Benun explained.

## CORRECTIONS

"The Marketplace at Macy's," Feb. 22, Page F3, misspelled the name of a confections maker as Chocolat. In fact, it is spelled Cocolat.

"Drive-Thru-Onlys in High Gear," Jan. 11, Page F3, misidentified Ralph Moreland as president of International Short Stops Inc. of Austin, Texas. In fact, Moreland is president of Ralph Moreland Restaurants, in Austin, and the president of International Short Stops Inc. is Sam Talkington.

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Vol. 21, No. 9 February 29, 1988

# FOCUS | NRN

## ORLANDO ANTICIPATES GROWTH

*(Continued from page F4)*

new Peabody Orlando, Atlantis at the Stouffer Orlando, and La Coquina at the Hyatt Regent Grand Cypress.

Not all operators feel that hotel fine dining has encroached upon their turf. "Things are settling down," says Mark Rodriguez of the seven-year-old Jordan's Grove, a fine-dining restaurant in Maitland, featuring American specialties. "Except for La Coquina at the Grand Cypress, local residents are saving hotels for brunch."

After a major jump in 1987, Orlando's convention business is leveling off. The number of delegates is expected to reach 1.6 million in 1988, up from 1.5 million in 1987, according to William Peepers, executive director of the Orlando-Orange County Convention and Visitors Bureau. "We expect limited growth in hotels in 1988, with about 3,500 additional rooms," he notes.

The expansion of Orlando's 4-year-old Orange County Convention-Civic Center, from 325,000 square feet to 600,000 square feet, is expected to be completed by November 1988. The Ming Court, a new catering and banquet facility, is next door.

Orlando's downtown area is still underdeveloped. In 1987 office space increased 15.3 percent, to 17.5 million square feet. Lutz is opening Harvey's, a gourmet Southern restaurant, in the 425,000-square-foot duPonte Centre mixed-use complex there.

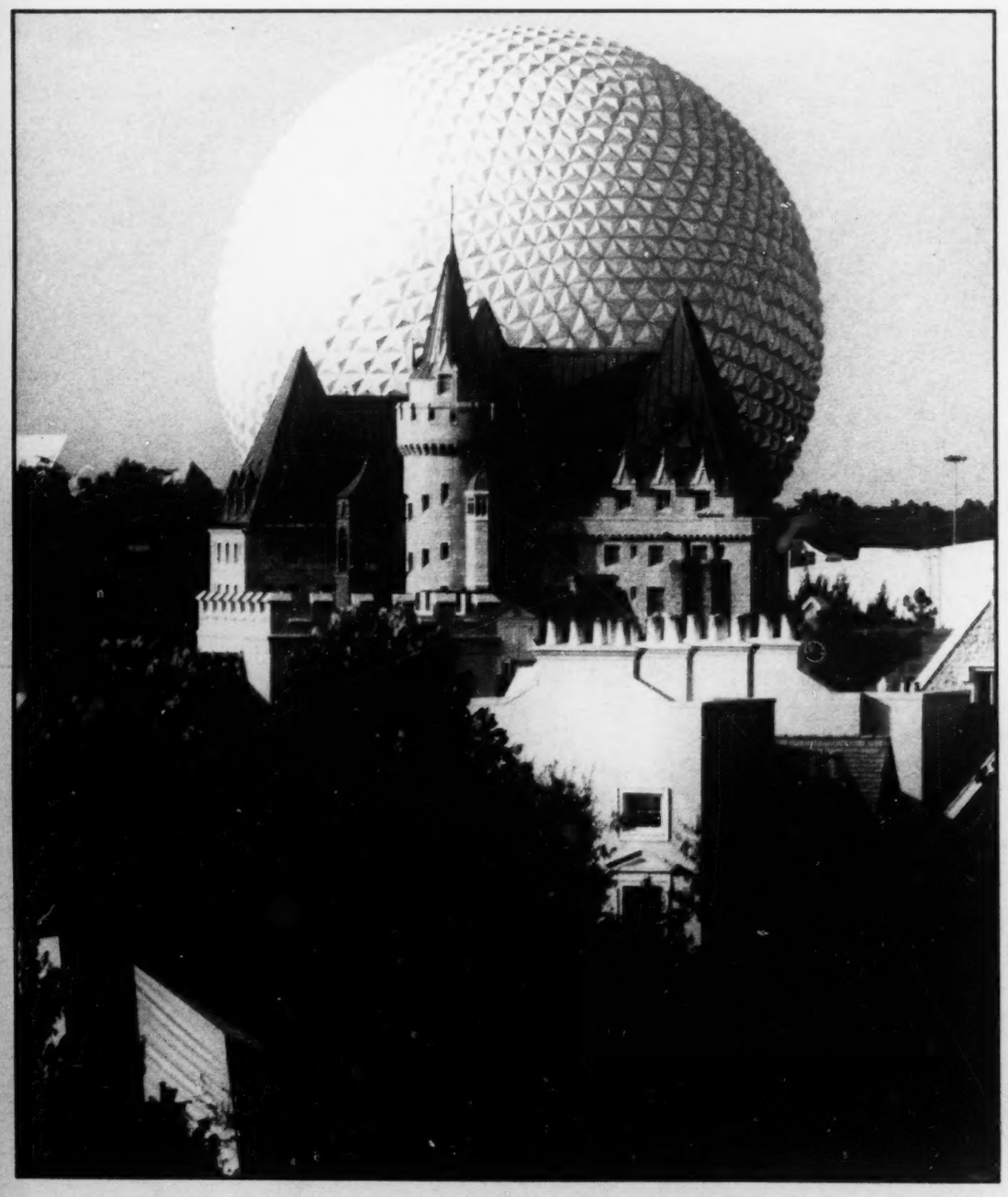
Many chain restaurant operators are beefing up their presence in Orlando. The Wilbraham, Mass.-based Friendly Ice Cream Corp. opened 18 units within the past two years, and it plans to open eight more units by 1988.

General Mills, based here, views Orlando as a development laboratory, having opened its first Italian dinner house concept, the Olive Garden, here in 1983. Orlando now has eight Olive Gardens, and the company's Restaurant Group is also headquartered here.

Finally, two new buffet concepts—Homestyle Family Buffet and Mrs. Appleton's Family Buffet—opened units here. And all the beef chains and many of the pizza chains have units here as well.

Bob Ruby, a former Ruth's Chris Steak House operator who moved here last year and opened Bob Ruby's Great Steaks in Altamonte Springs, Fla., sums up the feelings of many operators: "Nobody's getting rich now, but I'm betting on the future here."

*After a major jump in 1987, Orlando's convention business is leveling off. The number of delegates is expected to reach 1.6 million in 1988, up from 1.5 million in 1987, says William Peepers.*



EPCOT Center's Spaceship Earth towers above United Kingdom and Canada.

*NRN* Photo

Exterior shot of The Olive Garden restaurant in Winter Park, Fla.

## Restaurateurs foresee rise in sales, not profits

HOLLYWOOD, Fla. — Florida restaurateurs, pleased with the prospects of big sales gains, are not so upbeat about their profits, according to a survey published by the Florida Restaurant Association.

Although 90 percent of restaurateurs surveyed are expecting sales increases in 1988, only 35 percent are looking for an increase in profits.

"The uncertain economy is having a dampening effect on profits," says M.J. Mighdoll, executive vice president of the Florida Restaurant Association here. "In addition, the effect of the new federal rules for deducting business meals has yet to be felt."

In 1988 Florida is expected to show a 9.2-percent increase in food-service sales, the second-largest gain after that of Arizona, according to a National Restaurant Association forecast.

Although the growing convention business and tourist attractions of the state, such as Disney World, are a magnet for dollars, with a concomitant spillover into restaurants, tourism accounts on average for only one-third of food-service dollars, the survey found.

This finding attests to "the significant growth of permanent residents in Florida," Mighdoll says. "Last year Florida had the greatest increase in permanent residents in the country."

Not all the restaurants responding to those demographics are themselves new: Nearly one-third of Florida's restaurants have been open between four and seven years, the report indicates.

In some parts of the state, such as Orlando, the number of restaurants exceeds the demand; in other areas, such as Dade and Broward counties, restaurants are underdeveloped, according to Mighdoll.

**Florida Restaurants at a glance**

(Operating norms, per restaurant)
Food costs: **35.4 percent of sales**
Labor costs: **27.8 percent of sales**
Full-time employees: **24**
Part-time employees: **25**
Hourly wage: **$4.12**

Source: Florida Restaurant Association

The "gero-market"—people who are more than 65 years of age and often live on limited incomes—is central to Florida's economy, and restaurateurs have taken note. "Thirty-five to 40 percent of full-service restaurants here offer early-bird meals," Mighdoll says. In addition, 20 percent of restaurants in all segments offer a discount for senior citizens.

At the opposite end of the age spectrum, 30 percent of the restaurants surveyed are offering children's specials.

However, it is the teen-age segment of the market, those who make up the bulk of restaurant workers, who are most elusive: "There's a general labor shortage in Florida and low unemployment; I see signs out advertising for help," Mighdoll says. The average wage is $4.12 per hour; there is no state minimum wage.

The average labor cost for a Florida restaurant is 27.8 percent; food costs are averaging 35.4 percent.

The 1988 profile was based on 536 restaurateurs representing 1,979 food-service outlets out of a total of 32,000 in Florida.

3/28/88 C 5150-5

NEWSPAPER

**N.Y. Melrose: A walk through the wild side**
Pictures and story/Pages 48-49

**Eating in or out? Pampering's the key**
My Side of the Table/Page 56

**Section Two: Bar Management**
Centerfold

Nation's
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# Wage plan roils Washington state

## *Restaurateurs deal for tip, meal credits*

By Alan Liddle

OLYMPIA, Wash. — Stuck on the sidelines as partisan lawmakers hash out a new, higher minimum wage, Washington restaurateurs say they support a "reasonable" hike but only if they can continue using credits for tips and meals to offset pay.

Their position is akin to a lobbying strategy adopted by the National Restaurant Association in Washington, D.C., which is seeking to negate higher costs stemming from a change in Social Security rules by winning a 100-percent tip credit.

The debate here in the Pacific Northwest also parallels controversies swirling in statehouses throughout the nation. In California, for example, the Legislature is set to review a hike to $4.25 an hour.

With the Washington state Legislature scheduled to adjourn this week and action on the minimum-wage issue expected this year, the state's food-service industry will know soon enough if it wields appreciable clout with elected representatives.

Washington's hospitality industry employs about 136,000, or 9 percent of the state's work force, restaurant association officials estimated.

Neither of the minimum-wage bills that wound through the Legislature in late February contained the tip and meal "credits" the industry sought.

However, one prominent Democrat indicated her party might support such credits if Republican lawmakers sat down to negotiate other, un-

*(See **WAGE**, page 88)*

# Foodmaker wins Chi-Chi's

## *$230M deal spawns powerful new company*

By Rick Van Warner

SAN DIEGO — In a move that may ignite expansion for both companies, Foodmaker Inc. has agreed to buy Chi-Chi's Inc. for $230 million in cash.

Paving the way for an eastward thrust of Foodmaker's 900-unit Jack-in-the-box chain and a Western penetration of the 200-unit Chi-Chi's Mexican dinner house chain, the deal sires a potent new company.

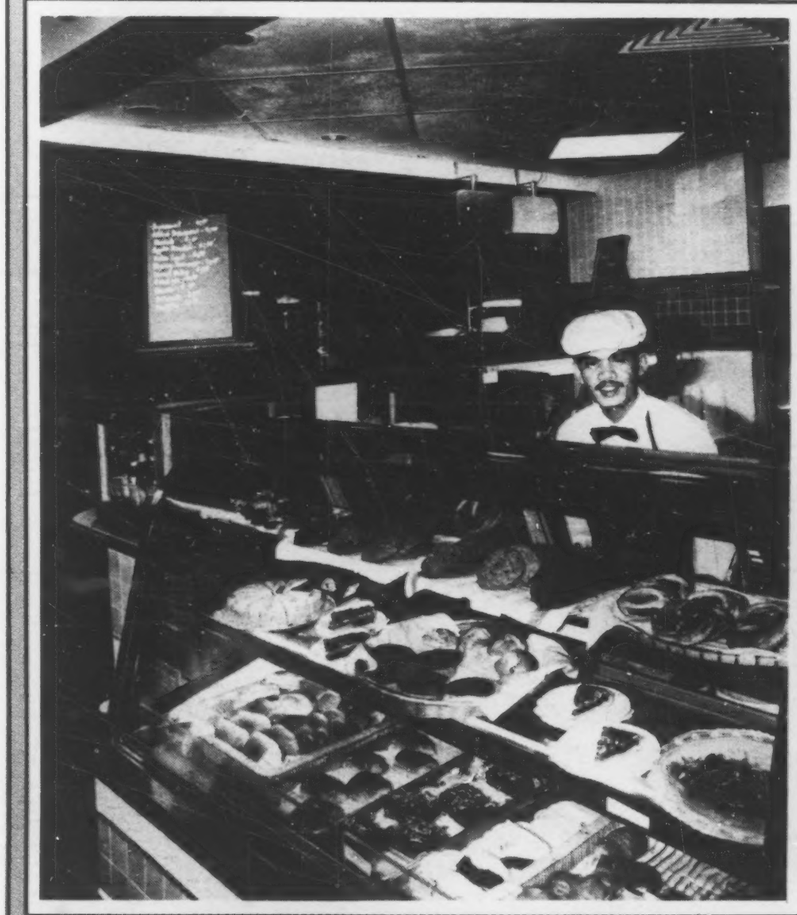
Foodmaker's surprise $10.15-per-share offer, which has been accepted by Chi-Chi's board, tops a California leveraged buyout firm's bid for $9.25 per share plus stock. Chi-Chi's, which has been revived by recent turnaround efforts, had been dodging takeover bids for months while it shopped for an attractive offer.

**Chi-Chi's Inc.**
Louisville, Ky.
**Chairman, ceo:** Hal Smith
**Operations:** 200 Chi-Chi's Mexican dinner houses; three Papanadas Southwestern Border Cafes; two El Pronto express units; one Sharkey's Oyster Bar & Grill seafood restaurant.
**Earnings:** $6.7 million, up 45% for six months ended Oct. 31.
**Revenues:** $144.5 million, down 5% for six months ended Oct. 31. (Results include disposal of 21 unprofitable restaurants.)

Meanwhile, Carlyle Investors, Chi-Chi's largest shareholder and previously a persistent suitor of the company, said it supports the move. Carlyle had most recently been backing the LBO firm, after bowing to that company's higher bid.

Chi-Chi's, once the rising star of the Mexican restaurant segment, had fallen on hard times in recent years as a result of overzealous expansion and a decline in liquor con-

*(See **FOODMAKER**, page 88)*



NRN Photo

**Fresh Express bakery worker shows off the baked goods.**

## *Marriott starts Fresh with airport concept*

By Alan Liddle

SAN FRANCISCO — Host International has pumped up sales 25 percent at a once tired airport cafeteria here by transforming it into a slick food court where the use of fresh ingredients is heavily merchandised.

The seven-month-old, 200-seat Fresh Express Cafe at San Francisco International Airport is one of five such units now operated by Host, which indicated it might open three more this year. The other Fresh Express Cafes, also cafeteria conversions, are located in Las Vegas, Nev.; Seattle; Honolulu; and Newark, N.J.

Converting a cafeteria into a Fresh Express entails replacing the service line with several display cases and a series of modular food preparation stations. Stainless steel

*(See **FRESH**, page 88)*

## FOOD WATCH

### *Rabbit food*

CHICAGO — While rabbit may not be the most popular dish around Easter time, it is offered at several restaurants here, especially during the cold months.

Braised rabbit on turnip and potato pancake is the preparation currently featured at the 95th, operated by the Fine Dining Division of ARA Services. The menu changes seasonally at that American cuisine restaurant.

At Toulouse, a Gold Coast restaurant and piano bar owned by Bob Djahanguiri, rabbit frequently shows up as a daily special, either with fresh basil, peppercorns, garlic, and natural juices or with a grain mustard sauce and fresh egg fettuccine.

Monique Hooker bones the rabbit, stuffs it with sweetbreads, and prunes and accompanies it with a port sauce at Monique's, a bistro noted for game dishes. "It's very popular," Hooker said. "We always do something with rabbit." —Carolyn Walkup

# All EARs: NRN honors radio ads

MUFSO '88

NEW YORK — Nation's Restaurant News has signed an exclusive agreement with the Internet Radio Networks for an Excellence in Advertising on Radio (EAR) awards program.

Details on the contest, which will give special recognition to leading food-service chain radio advertisements in various categories, will be outlined in a future issue of Nation's Restaurant News.

The radio awards will parallel NRN's third annual Excellence in Advertising on Television (EAT) awards program, which is co-sponsored by the Television Bureau of Advertising.

All the EAT and EAR awards will be featured and presented at NRN's 29th annual Multi-Unit Food Service Operators (MUFSO) conference, to be held in the Washington, D.C., Hilton Oct. 2-5.

Preliminary details on the conference are available from NRN's MUFSO coordinator, Chris Hernandez, at (212) 371-9400, Ext. 282 or 283.

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## NEWS DIGEST

# Edelman sells Ponderosa in deal with Metromedia

DAYTON, Ohio — A year after acquiring Ponderosa for $278 million, corporate raider Asher Edelman has sold the 680-unit steak house chain to Metromedia, the New York telecommunications giant. Terms were not disclosed.

Metromedia said it anticipates "working with the proven management team already in place" at Ponderosa. Several executives, led by Pizza Hut veteran Frank Holdraker, assumed their posts under Edelman's ownership.

Metromedia said it had signed a definitive agreement to buy Ponderosa because of the chain's expansion potential.

# Hardee's, Spartan rework franchising agreement

SPARTANBURG, N.C. — Hardee's is close to signing a deal that would permit its 400-unit franchisee here, Spartan Food Systems, to open additional units both within and outside its current franchise territory, according to Spartan's parent, TW Services of New York.

The contract could give Hardee's a foothold on the West Coast since TW also operates Denny's and Winchell's Donuts, two ailing chains with many weak units in California. It was not clear whether Spartan's pending deal with Hardee's would permit conversion of Denny's and Winchell's stores to Hardee's units.

One of the points addressed in Hardee's negotiations with Spartan is the expansion of Spartan's own hamburger chain, the seven-unit Pryde's system, TW chairman Frank Salizzoni revealed. He declined to say whether the deal would prohibit the opening of additional Pryde's drive-thru units.

# San Francisco union vows to act against restaurants

SAN FRANCISCO — Frustrated in efforts to renew more than 170 contracts with restaurants and clubs, union officials here have vowed to hit the holdouts with a series of job actions ranging from sit-ins to strikes.

So far, just 21 restaurants and clubs out of 200 with expired contracts have renewed the three-year pacts. Union officials say the biggest point of contention is medical coverage.

Hotel Employees & Restaurant Employees Union Local 2, under different leadership, struck San Francisco restaurants in 1984.

# Spillman plans end run in Winner takeover try

BRENTWOOD, Tenn. — Francis Spillman, unable to win the support of Winners Corp. management for his plan to acquire the fast feeder, has alerted the government that he plans to negotiate directly with shareholders.

Noting that he has yet to receive Winners' response to his $4.25-per-share January bid, Spillman told authorities that direct contact with shareholders might be "necessary and desirable."

Winners operates the Mrs. Winner's Chicken & Biscuits chain.

# Shoney's South execs join with Citicorp to draft bid

MEMPHIS — Stymied in a previous takeover attempt, executives of Shoney's South, a 170-unit Shoney's franchisee, have joined with two subsidiaries of Citicorp to prepare a bid for the coffee shop operator.

The Shoney's South management group includes chairman J.H. Prentiss, treasurer D.A. Reeve, vice president L.R. Walker, and director J.M. Bodnar. In January they tendered a $12.25-per-share offer for Shoney's South, but were soon outbid by Tennessee Restaurant Co., parent of Perkins Family Restaurants. Shoney's South has yet to respond to Tennessee's $13-a-share offer.

# Carter succeeds Orr at Village Inn helm

DENVER — James Carter has been named president of Vicorp's 271-unit Village Inn coffee-shop chain, replacing James Orr, who has left the company.

Vicorp, which also operates the 200-unit Baker's Square chain, would not elaborate.

# Weak dollar could lift prices of food-service equipment

MIAMI — Recent sharp rises in the costs of imported copper and steel could drive up the price of food-service equipment, according to manufacturers gathered here.

Suppliers attending the annual meeting of the National Association of Food Equipment Manufacturers here said the costs of those raw materials have recently jumped by as much as 20 percent. Much of the U.S. metal supply has been imported and thus affected by the weakness of the U.S. dollar abroad.

# Adtrack: McD's gains in awareness

By Marilyn Alva

Of the top fast-food advertisers, only McDonald's gained in top-of-mind consumer awareness in the latest Nation's Restaurant News Adtrack poll.

Burger King, Wendy's International, and Hardee's all lost awareness points in the poll, which was conducted by SRI Research Center of Lincoln, Neb.

McDonald's scored a commanding 44 percent in unaided advertising awareness recall, a 1-percentage point increase from the prior-month figure.

Meanwhile, Burger King and Hardee's each lost 1 percentage point, for much smaller 13-percent and 4-percent recall levels, respectively, while Wendy's International lost 2 percentage points for a 6-percent score.

The NRN Adtrack poll asked a random sample of 1,000 adults across the country, "Of all the fast-food restaurant advertising that you have read, seen, or heard in the last month, what advertising first comes to mind?"

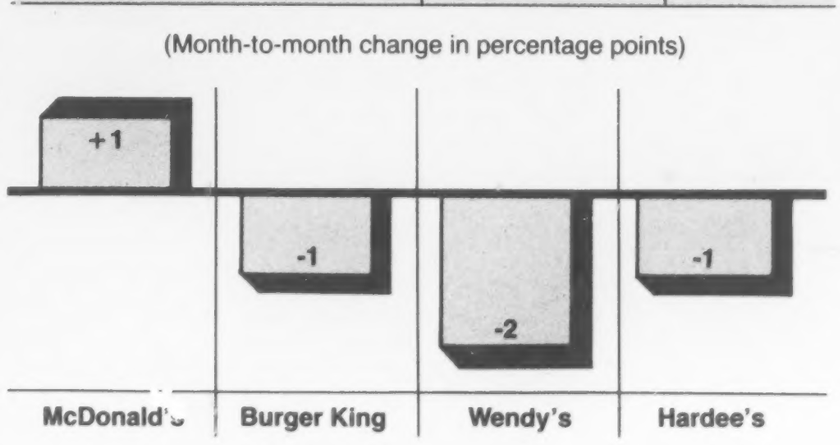
Jack in the Box and Taco Bell garnered 2-percent scores, while Pizza Hut, Arby's, and Kentucky Fried Chicken had 1 percent.

**'WHAT FAST-FOOD ADVERTISING FIRST COMES TO MIND?'**

(Top-of-mind awareness rating, in percent)

| | Latest month | Prior month |
|---|---|---|
| McDonald's | 44% | 43% |
| Burger King | 13 | 14 |
| Wendy's International | 6 | 8 |
| Hardee's | 4 | 5 |
| Jack in the Box | 2 | 1 |
| Taco Bell | 2 | 2 |

(Month-to-month change in percentage points)




Source: NRN Adtrack, SRI Research Center, Lincoln, Neb.

# D.C. group plans J. Paul's clone in Atlanta

By Jack Hayes

ATLANTA — The operator of J. Paul's, an acclaimed Washington, D.C., restaurant, is planning its second unit here.

Capital Management Development Corp., the Washington-based group that operates four Georgetown restaurants, will open a Southern version of its J. Paul's dining saloon in the nearly completed 1 Buckhead Plaza tower on May 1.

The 20-story office structure, in the center of Atlanta's uptown district, is the site where the Buckhead Restaurant Group may open a second Pano's & Paul's this summer.

Barry Silverman, co-founder of J. Paul's and director of restaurant operations for CMDC, said the group expects to gross $4 million in the Atlanta location—its first expansion to an outside market. CMDC also operates Georgetown Seafood Grill, The River Club, and Paolo's, all in Washington.

Atlanta's 6,000-square-foot, 165-seat J. Paul's will essentially be a clone of the 5-year-old Georgetown unit, Silverman added. The restaurant will serve "100 percent American" business lunches and dinners, and Silverman expects a late-night bar clientele of upscale singles.

"The demographics are perfect," he said.

J. Paul's Washington menu leans toward salads, seafood, and pasta. Two of its strongest entrées are home-smoked loin back ribs at $11.95 and fresh swordfish at $12.95.

Nevertheless, Silverman wonders if the Georgetown menu—praised by Esquire, Playboy, and Washingtonian—will find a home in Atlanta. "It may not travel well," he admitted. But The Washington Post rated J. Paul's appetizers the 'best tasting in the city,' Silverman said. Its burgers, crab cakes, and roast-beef sandwich also have been commended.

Market observers expect J. Paul's to be an immediate success. "It's an old-time saloon with a college-bar kind of feel," one said.

"Being only a stone's throw from hot Buckhead properties like Otto's, Peachtree Cafe, and East Village Grill, it should work well," another said.

Silverman said Buckhead Plaza's developer, Taylor & Mathis, initiated talks that led to the Atlanta move. "Mark Taylor made the invitation personally after several visits," he disclosed. "They wanted a Georgetown-type saloon, and we were it," Silverman said.

*NRN* Photo

**The future site of J. Paul's in Atlanta.**

## *Second Pano's & Paul's mulled*

ATLANTA — Buckhead Restaurant Group, which operates four successful white-tablecloth properties in this market, may open its second Pano's & Paul's at a brand-new office complex this summer.

Buckhead Plaza is the site Capital Management Development Corp., which is based in Washington D.C., is set to open a clone of J. Paul's, the 5-year-old Georgetown dining saloon, on May 1.

Pano Karatassos, president of the group that owns Pano's & Paul's, as well as The Fish Market, Capriccio, 103 West, and a new hybrid cafe venture called Buckhead Diner, confirmed discussions were under way with Taylor & Mathis, the Buckhead Plaza's developer.

However, Karatassos said key items must be resolved before a lease is signed.

Market observers polled by Nation's Restaurant News were enthusiastic about the prospect of a Pano's & Paul's in the center of uptown Buckhead.

Only one observer saw a problem with remote rear deck parking at Buckhead Plaza.

Others call the location perfect for the next Buckhead Restaurant Group facility. "Pano's & Paul's will prosper no matter where is opens," one said.

## Ex-grocery exec rips supermarkets

SAN FRANCISCO — Eugene Hoffman, former Super Valu Wholesale Foods president, has called "the failure" of supermarkets to offset the emergence of the $62 billion fast-food industry "the strategic blunder of the 20th century." He indicated that supermarkets should have diversified into fast food years ago and not let McDonald's and others "run away with the game."

Blaming the "lackluster supermarket mentality" of grocery distributors for the problem, Hoffman urged supermarkets to go after the fast-food take-out market with a vengeance. He spoke at the National Grocers Association convention held here last month.

## Sports Rock Cafe debuts

*(Continued from page 3)*

and international scale within two years.

In the new club Killeen has blended elements of rock 'n' roll—a polished dance floor and a stage for visiting performers like female vocalist Taylor Dane—to create something of a hybrid among the sports bars now blossoming nationwide.

Sports Rock Cafe membership cards—bronze at $25, silver at $75, and gold at $150—entitle their holders to various levels of club privilege. Gold card members, for example, enjoy free valet parking and entry to the Stadium Club, a glassed-in VIP-type lounge overlooking the night club's Main Arena, where dancing and most of the mixing takes place.

The club's extravagant sports theme interior is designed in three sections, including the Main Arena, Stadium Club, and The Cafe, a glass-enclosed 84-seat restaurant serving lunch, dinner, late-night breakfast, and Sunday brunch. The Cafe, with its own entry, spills onto an 88-seat outside patio dining deck called The 19th Hole. Inside The Cafe is the 24-seat Heisman Room, which may be reserved for white-tablecloth privacy.

Two menus labeled Dinner (30 items) and Cafe (16 items) tie in with the sports theme and feature appetizers like Super Bowl of Chili, Detroit Red Wings, and Sacrifice Fries. The abbreviated Cafe menu is found throughout the Main Arena on round table tops painted to resemble golf balls, soccer balls, basketballs, and baseballs.

Of 12 dinner entrées, eight are beef—including a 20-ounce T-bone steak called Major League at $15.95. As chef Bruce Krasnoff explained, "It'll knock a lot of people out." Other beef items include MVP, a 9-ounce filet mignon at $12.95, and a 14-ounce New York strip called Heavyweight at $13.95. All entrées come with stuffed—"couch"— potato.

Killeen said beef was emphasized because it appeals to the male diner, but more salads will be introduced for softness—to address what he called an overwhelming female reaction. "Seventy percent of our diners on opening night were women," he observed.

Three bars service the Main Arena, whose energy focus is a giant, suspended scoreboard with four stadium-size video screens visible from every corner. Twelve other monitors hang elsewhere in the club. "There are sports bars, and there are sports bars," Killeen challenged.

"Some—Ditka's and Champion's, for example—are very good," he added. "Most others are unsophisticated. Ours is the Rolls-Royce, the one-two knockout punch, the local neighborhood bar gone Hollywood."

Sports Rock Cafe's week-long opening featured, in addition to Taylor Dane, macho celebrities like boxers Sugar Ray Leonard and Evander Holyfield. Racer Mario Andretti is scheduled to appear early this month.

## EDITOR'S NOTE

"Eating with a pro—Or how not to enjoy a good meal," Page F28, Feb. 15, was not intended for publication. We regret any embarrassment it may have caused Zeus Goldberg, director of merchandising at Restaurant Associates, New York, and Shelly Fireman, owner of Fiorello and Fiorella restaurants, New York.

## CORRECTIONS

"Operators beware: New FICA tax bites," Page 1, Feb. 15, misidentified Ted Balestreri as chief of the National Restaurant Association. In fact, he is a past president.

## Delmore seals deal on Bonanza units

COLUMBUS, Ohio — James Delmore has obtained the franchising rights for Bonanza restaurants here and in a 15-county area of central and southern Ohio.

Delmore, president of the Ohio Restaurant Corp., Portsmouth, Ohio, previously held the franchising rights for some areas of southern Ohio. But the new deal with Dallas-based Bonanza franchisor USA Cafes gives him far more expansion opportunities.

Delmore's company also operates the food-service facilities at Shawnee State University and a restaurant in a Portsmouth department store.

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# Info 88 conference for independents

## *The 160 restaurateurs attending the 3-day conference at the Fountainbleau Hilton receive Laventhol & Horwath partner Patterson's forecast for trends of the future*

**By Joe Edwards**

MIAMI BEACH — Old-fashioned diners, Caribbean food, brew pub-restaurants, tapas, and gourmet pizzas are several concepts that are "particularly appealing" in food service's near future, according to Robert T. Patterson, managing partner of the Los Angeles office of Laventhol & Horwath.

Speaking at Info 88, a conference for independents sponsored by the Educational Foundation of the National Restaurant Association and Restaurant Management magazine, Patterson said diners—such as Ed Debevic's Short Orders/Deluxe based in Chicago and Johnny Angel's in Houston—offer consumers strong price-value perceptions and "a colorful experience."

The 160 independent restaurateurs attending the three-day conference at the Fontainebleau Hilton Resort here heard guest speakers address a variety of topics, including service, restaurant design, management styles, seafood purchasing, catering, menu marketing, hiring, seasonal operations, family businesses, turnaround strategies, and expansion.

Patterson said Caribbean food would continue to grow in popularity as large numbers of Americans take cruises and are exposed to the "intense flavors" of island foods. Caribbean restaurants have been sprouting up in New York, Los Angeles, Washington, Miami, and other American cities.

Patterson said he also sees operators sharing sites or parts of sites—a parking lot, perhaps—and a growing consumer demand for unique products and foods that have strong, intense flavors. Restaurateurs will help themselves by taking advantage of shifting demographics by switching to a family orientation, catering to older consumers, toning down music, and offering lower prices and smaller portions.

"Patterson said one should "treat customers like a king" by making them feel comfortable and special and by offering them a unique experience.

Restaurants have been posting moderate real sales growth for the last five years, following three years of flat sales from 1979 to 1981, Patterson said. In 1982 real sales were up 2 percent; in 1983, they rose 2.7 percent; in 1984, 4.7 percent; in 1985, 2.5 percent; and in 1986, 3.2 percent.

Profits, he added, "have been surprisingly resilient. It's amazing we're still making in the 4-percent-to-5-percent range in pretax profits."

When one considers what's happened with sales, "the profit picture looks pretty good," Patterson said. The year 1986 provided "a ray of sunshine" for operators; pretax income was 11 percent of total sales for food-only restaurants and 4.3 percent of sales for restaurants serving food and beverage.

Patterson does not foresee a repeat of the big sales increases that characterized food service in the 1970s, when real sales growth year-to-year ranged from 5.3 percent in 1972 and 6.2 percent in 1973 to 6 percent in 1976 and 5.1 percent in 1977.

Sales in those years were being driven by several factors, including a growing number of multiple-income families, which boosted lunch sales, and the emergence of several "under-exploited dayparts"—breakfast at the time was the almost exclusive domain of the coffee shop segment.

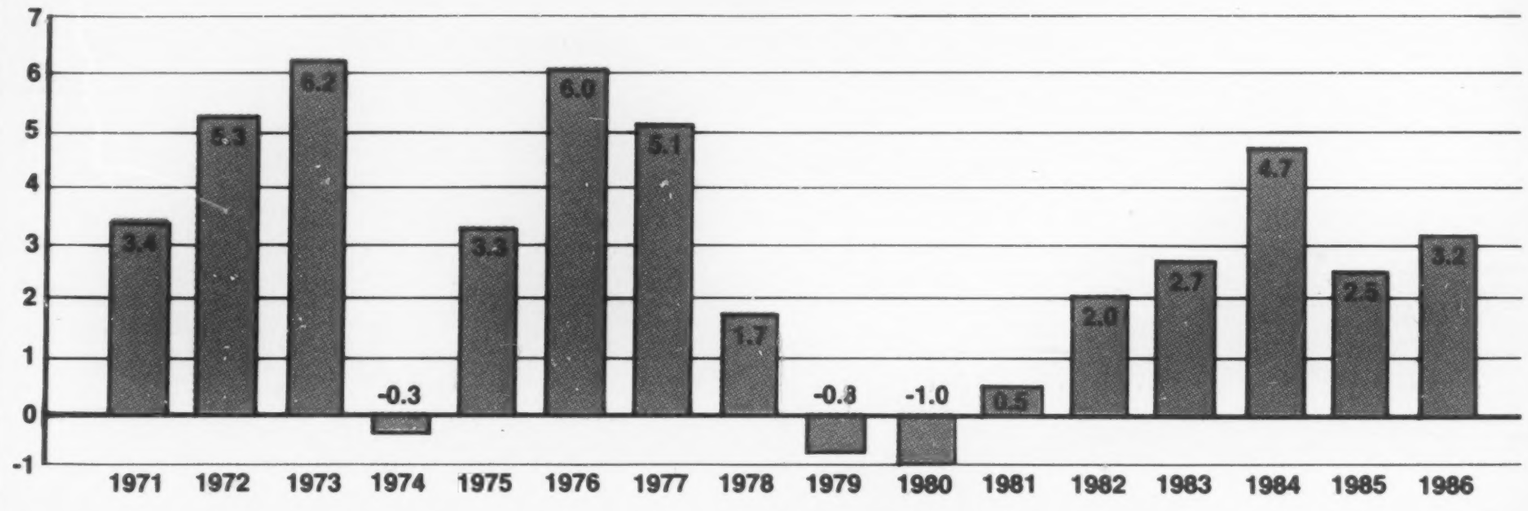
"I don't know what's left," Patterson said.

Restaurateurs can look forward this year to an influx of foreign visitors attracted by favorable exchange rates and American tourists forsaking European vacations because of the dollar's weakness in relation to foreign currencies. "I think what we'll see is a lot more Americans staying home and spending their vacation dollars here," Patterson said.

Patterson cautioned operators to think twice before raising prices. "We're dealing with very price-sensitive consumers," he said, pointing out that in 1978-1980, McDonald's responded to inflation with big menu price increases. The strategy backfired—even though McDonald's menu prices were raised 11 percent in 1978, 12 percent in 1979, and 11 percent in 1980, average real store sales were off 4 percent, 5 percent, and 5 percent in those three years, Patterson said.

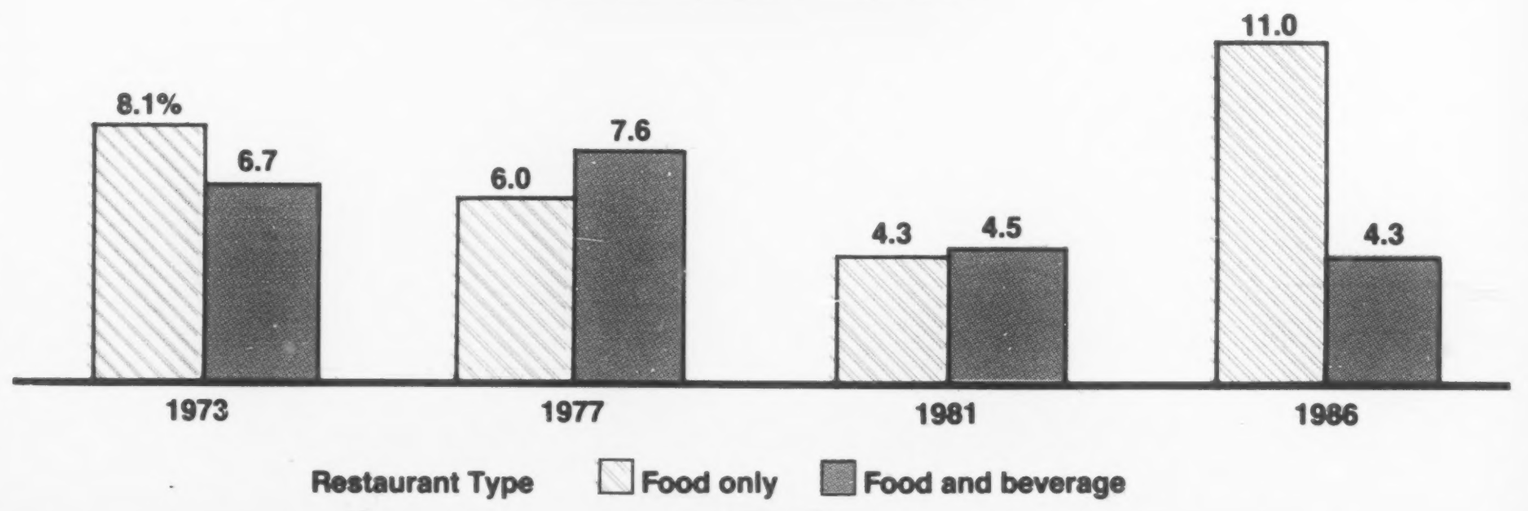
He also said it is becoming increasingly difficult for independent restaurateurs to enter niches that are chain dominated. "It's not as easy as hitting them where they ain't," he declared.

**COMMERICAL FEEDING GROUP**
**GROWTH IN TOTAL SALES (CONSTANT DOLLARS)**
**1971-1986**




Source: Laventhol & Horwath, Philadelphia

**INCOME BEFORE INCOME TAXES**
**RATIO TO TOTAL SALES**




Source: Laventhol & Horwath, Philadelphia

NRN Photo

**Debbie Apoldo of the NRA's Education Foundation speaks at Info 88.**

**MCDONALD'S REAL SALES**
(per store relative to menu prices)

| Year | Change in average real sales per store | Average change in menu prices |
|---|---|---|
| 1977 | +7% | + 3% |
| 1978 | −4 | +11 |
| 1979 | −5 | +12 |
| 1980 | −5 | +11 |
| 1981 | 0 | + 8 |
| 1982 | +1 | + 3 |
| 1983 | +2 | + 3 |
| 1984 | +7 | 0 |
| 1985 | +1 | + 4 |
| 1986 | −2 | + 5 |
| 1987 (est.) | +3 | + 5 |

Source: Laventhol & Horwath, Philadelphia

## Will drink limits hurt bar sales?

A survey of more than 200 servers in 35 restaurants around the country indicates the answer is no. Only 14 percent believe sales will fall if the house puts a limit of five drinks per customer in two hours into effect.

The Restaurant Hospitality Insititute reports that 71 percent either agree or strongly agree that such limits would have no effect.

## Hotel-beverage-per-room sales are flat

A new study by Purdue University concluded that while the number of hotel rooms has shown a modest 5-percent gain and one of 2 percent in guest counts, beverage sales per occupied room went flat over the past two years.

The survey disclosed that:

(1) Sixty-seven percent of the respondents reported a decrease in the volume of alcohol sold.

(2) Sixty-two percent said non-alcoholic beverages sales went up 5 percent to 10 percentthis past year.

(3) Fifty-five percent predicted increasing emphasis on non-alcoholic beverage promotions in the year ahead.

(4) Thirty-eight percent have increased drink prices to compensate for declines in the consumption of spirits.

## Baby boomers like soda best

Baby boomers may be getting on in age. But they still put the fizz in soda sales, a recent study by Beverage Industry magazine concludes. Nearly 6 in 10 of today's 23-to-44-year-olds consume soda pop once or twice each day, and nearly a third drink three or more a day.

Industry experts agree the boomers are a big reason why per-capita consumption of soft drinks rocketed from 17.1 gallons in 1974 to the record-high 42.1 gallons today.

They say these levels could rise even more over the next 2 or 3 years.

***EXERCISING & DRINKING***

| | All | Heavy Exercisers |
|---|---|---|
| Wine | 27.0% | 33.8% |
| Mixed Drinks | 10.5 | 15.7 |
| Beer | 3.2 | 3.6 |

Source: American Health, Gallup survey of 1015 adults, June 1987.

## Study: Health nuts drink more spirits

Heavy exercisers can forget about carrot or celery juice. When they go out to dine these days, they drink more wine, mixed drinks, and beer than does the average person. A new study by Gallup for American Health magazine also finds heavy exercisers (those who work out five or more hours a week) drink less coffee, water, soda, fruit juice, and herbal teas than the norm.

## What beverage makers spend to push product

A recent analysis of 250 industries by Pensophic Systems found that makers of bottled and canned soda spend 6.5 percent of sales, or 11.7 percent of their profits, to promote and advertise their product lineup today.

That compares with 13.6 percent of sales by distilled and blender liquor makers, or a hefty 27.2 percent of profits. A typical restaurant, on the other hand, typically spends 3.8 percent of sales and 17.6 percent of profits to advertise itself to the public.

## We drink twice as much tequila now

From 1976 to 1987, according to Clark Gavin Associates, tequila's share of the U.S. spirits market jumped from 1.4 percent to 2.4 percent, and it may have hit 2.6 percent last year.

The Tequila News and Information Service estimates U.S. imports of tequila climbed to 4 million cases.

Thanks to the universal appeal of the margarita and a new collection of tequila-based cocktails, the United States and Canada account for more than 90 percent of consumption of all the tequila Mexico ships abroad each year.

## Who's No. 1 in imported beer?

Heineken's still king of the hill, but Mexico's Corona, which had a huge sales surge last year, won the right to brag.

According to preliminary estimates, Heineken closed 1987 with a 25-percent share of import volume, down from 29 percent a year ago.

Corona closed the gap with a 100-percent sales gain, to a 21-percent market share, up from 11 percent in 1986. At the same time, Heineken shipments fell.

PRODUCTS

# "Wine coolers—still on a roll"

**For the past few years they've been the darling of the beverage category, thanks to a string of double-digit gains. New flavors and hefty consumer spending figure to stir them to new highs.**

Consider these facts:

- Two out of every five regular wine cooler drinkers consume them at least once each week.
- More than half, 55 percent, drink two or more glasses.
- More than one in four regular wine cooler drinkers orders them at bars, and 51 percent say they'll do it at any time day or night.

Since wine coolers were first introduced in 1983, they have enjoyed phenomenal status in the alcoholic beverage business. Sales gushed from 7 million gallons in 1983 to more than 200 million gallons last year, creating a whopping $1.3 billion market.

For the past three years, coolers have been rolling up gains in the double-digit range—up 22 percent from 1986 to 1987 alone. And despite a recent slowdown in the rate of gain, all signs indicate they will continue to roll through 1988 and 1989.

One reason is the massive amount of ad spending behind cooler brands this year. Heavy-hitters like Seagram, Gallo, which makes Bartles & Jaymes, and Miller (Matilda Bay) are expected to spend more than $100 million combined in 1988 to strengthen and increase market shares in a year of realignment among top brands.

**Taste is key:** Whether the growth burst continues at a hot or more moderate pace, this much seems clear for cooler business in '88: Wine coolers are now a mainstay among a large demographic cross-section of Americans—especially 18-to-34-year-olds and women drinkers across all age categories.

According to recent studies, nearly 8 out of 10 regular wine cooler drinkers, 79 percent, drink them because they like the taste, and seven out of 10 (71 percent) prefer them for their "thirst-quenching" qualities.

Peach, the runaway favorite in 1986, gave way to wild cherry last year. It's still too soon to tell what the top flavor of 1988 will be, but several new concoctions are in the running and will soon be entering distribution systems to fight for flavor-of-the-year honors.

Jos. E. Seagram & Sons' John Oliver is among those who project continued high-volume growth for coolers, especially his line of wine and spirits flavors. "Our figures show almost as many men as women now drink wine coolers and almost as many in the older-age groups as 21-to-34-year-olds. In fact, wine cooler consumption actually cuts across all economic groups."

Seagram's Golden Wine Cooler, he says, helped bring a stronger measure of sophistication to the entire category, with a more pronounced wine flavor and a tonier packaging approach. Seagram's original target group was slightly older—the 25-to-49-year-olds—but sales have spilled into the younger category, says Mark Taxel, executive vice president for marketing at Seagrams Beverage Co.

As a rule, people will order wine coolers any time of the year. "They're year-round drinks today," says Richard Fuller at Bartles & Jaymes. More important, as a Yankelovich study for People magazine points out: The key to the future wine cooler gains is the feeling that the drink is not a passing fad.

More than half of all regular cooler drinkers (54 percent) feel they're now mainstays in their drinking diets. Most say that's because they contain 'the right amount of alcohol for today's drinking habits and aren't filling as other alcohol-content beverages."

**What next:** Originally viewed as an entry-level drink and stopgap to the falloffs in wine and spirits sales, wine coolers now have a life of their own on the bar operator's drink menu.

As food and beverage director Doug Bates at Chili's sees it, the high degree of public awareness and ad-promotion behind wine coolers makes them a prime development category for the year ahead. "Consumers are preconditioned by TV advertising," he says, "but would rather drink a bottle in a restaurant than buy a six-pack at a liquor store, and that's the kind of demand we're experiencing.

**THE INSIDE FACTS ABOUT WINE COOLER DRINKERS**

| *Where/When They Buy* | | *How much They Drink* | | *How many Brands* | |
|---|---|---|---|---|---|
| Bars | 26% | 1 glass | 30% | 1 brand | 29% |
| Day & night | 51% | 1-2 glasses | 26% | 2 brands | 36% |
| Cocktail time | 20% | 2-3 glasses | 12% | 3+ brands | 30% |

Source: Yankelovich Clancy Schulman 1986 study for People magazine (633 telephone interview, national sample)

## THE CHANGING COOLER LINEUP

When all the dust finally settled last year, Seagram's was on top of the wine cooler heap with 30 percent of of the market. That dropped Gallo's Bartles & Jaymes to second, with a 27-percent slice of the business, and set the stage for a major marketing confrontation between Gallo and Seagram's throughout the coming year.

The third-most-purchased cooler brand in 1987 was Brown-Forman's California Cooler (the brand that started the boom, in fact) at 18 percent of total sales. In fourth place: Canandaigua Wine Co.'s Sun Country, with 13 percent.

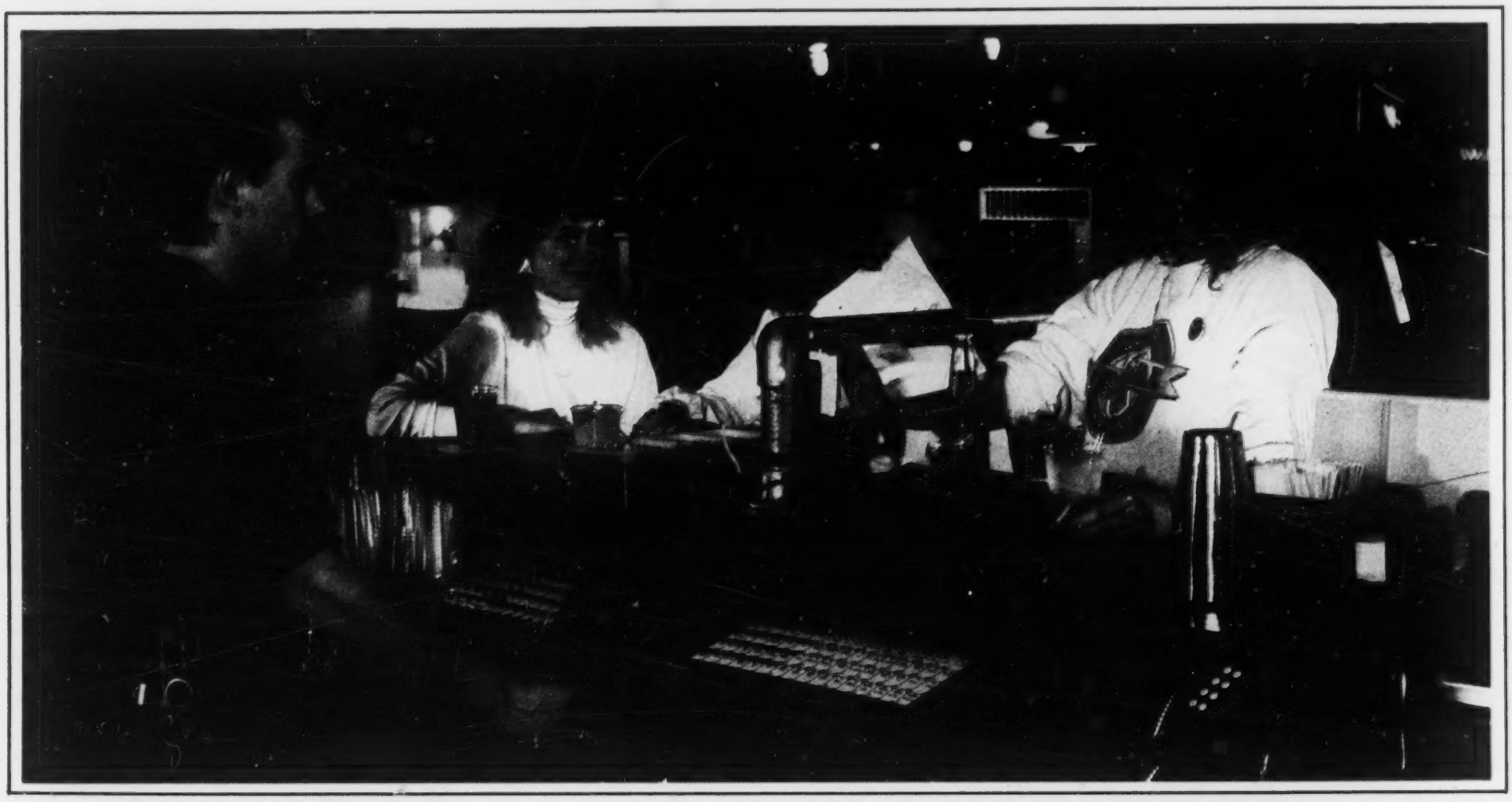
During the year, too, Anheuser-Busch decided wine coolers didn't fit its lineup. This month, the beer maker will close out all production and distribution of its Dewey Stevens line.

At the same time, competitor Miller Brewing Co. continues to spend heavily to ride its Australian-oriented Matilda Bay Cooler into a stronger position in the wine cooler standings.

EQUIPMENT

# "Meet Robobar:"

*It's the ultimate drink dispenser. Bottles are stored in an off-site 'feed room' and bartenders mix and serve drinks at the flick of a finger.*



**Upstairs, the bartender at the Original Sports Bar can choose from a variety of mixes to pour any premeasured drink.**

Mark Facto, the day manager at The Original Sports Bar in Baltimore says you have to see it to believe it.

Since opening last year, the sports bar has been dazzling customers and curious industry visitors with the ultimate drink-dispensing machine—an automated, all-purpose, gun-pouring system that controls bottles off site and mixes drinks in front of the patrons, premeasured and to order, at the flick of a finger.

"It virtually eliminates overpours and waste," Facto says. "You build all your drinks on the keyboard and dispense them through a gun that's hooked up to bottles in your feed room."

Except for certain juices or garnishes, he says, "Robobar" mixes all sodas and liquor combinations to create just about every drink on any menu today—for both house and call brands.

"There are a few exceptions to what the system holds," he points out. "Bailey's Irish Cream, for example, isn't in the system because it requires refrigeration. But every other liquor or liqueur we have in stock can be set up on the feed rack and fed into the lines."

A big advantage, he says, is that besides controlling pours and saving bartenders countless steps to locate bottles and call brands during peak time, the system cuts actual mix and pouring time to seconds and puts the lid on overpours at the same time it keeps liquor inventories under the operator's thumb.

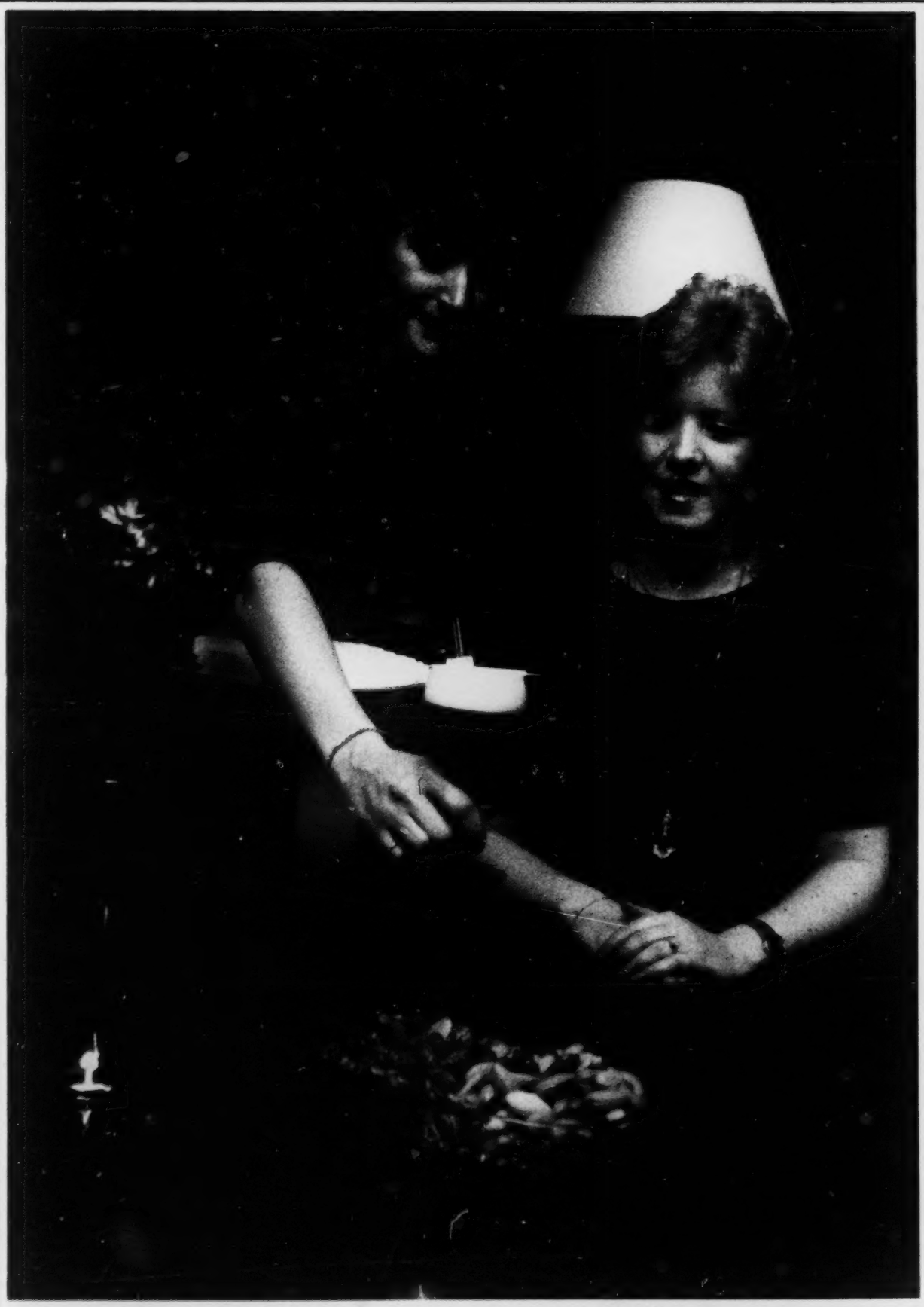
**Mix & Match:** Whether the customer calls for a generic rum and cola or a Bacardi and Coke, a vodka and seltzer or Absolut and 7-up, each drink is punched into the bar terminal.

And every time, the bartender pours a properly premeasured drink that automatically registers each order on a customer tab by name, mix, and total number for each dispenser location and provides the operator with an up-to-the-minute sales record of every drink sold on each shift.

Each time a customer orders a

# How women are shaking up our drinking habits

*They like flavored drinks, order more specialty cocktails, wine coolers and light beers—and they dominate consumption patterns in 28 of 45 major beverage categories today.*



Women are increasingly insisting on flavor and palatability in their drinks.

All the latest studies point in the same direction. They say that women have shaken up the national drinking habit, changing what men drink and how bar operators are doing business today. On top of that, they're probably creating 90 percent of the hot, new drinks that make it around the country these days.

"The majority of new drinks are for women," points out Dave Eikholt, vice president of marketing for Heublein, who tracks hot and emerging new drink concoctions from bars all over the country each month. "Women are just more venturesome than males. They establish the newcomers like Fuzzy Navels or Margaritas, and the guys pick up on them later."

The latest round of hot, new drinks women are trying have wild names like "Sex on the Rocks" and "B-52s," Eikholt says, and they're all being stirred by tastes and flavors women want in their drinks.

Diane Sfair, manager of Detroit's London Chop House, says women have been shying away from the darker liquors and heavier beers for several years. Today they order more gin and vodka mixes. "That's why the Absolut Vodka is our No. 1 seller. We also sell a lot of vintage ports from $4.24 to $30 a glass."

The Detroit bar's list of sweet wines has increased roughly 25 percent in the past three years, Sfair adds, and most of it can be directly traced to female demand and consumption.

Women are changing national drinking patterns, points out John

Women are ordering drinks with names like "Sex on the Rocks" and "B-52s."

Oliver at Jos. E. Seagram & Sons, for a variety of reasons, but two stand out: "They are better educated about wine and spirits consumption, and women are more inclined to ask for drinks by brand than men are."

This dovetails with a midyear '87 study by Beverage Industry, which finds 49.1 percent of women in the influential 21-to-34-year-old group today read ingredient labels closely and consider them "very important"—compared with 36 percent of men polled. And 38.6 percent of all women consider brands more important to their ordering decisions than do men (27.8 percent).

**Flavor No. 1:** If women have identified any single ingredient that flows through their drinking choices today, it's probably taste. Women insist on flavor and palatability in their drinks. As a result, the flavor trend now cuts across every major classification of spirits, wine, and beer, and men's tastes are making the switch, studies conclude.

- Younger "upscale" women, national surveys indicate, lean more toward light import beers and rum, tequila, and bourbon when they mix drinks.
- Young middle-income women in the 21-to-34 age bracket say they prefer sweet, low-alcohol drinks (like Sangria, popular wines, and wine coolers) and fruit-flavored specialty drinks and mixes.
- Middle-aged "upscalers" go for table wines, cordials, aperitifs, champagnes, and premium wines, the studies conclude.

Overall, women now dominate consumption trends in 28 of 45 beverage categories—especially juices, bottled waters, prepared cocktails, cordials, coolers, and liquors.

The so-called female bias is evident in three broad areas of the national drinking trend of the '80s, in fact: (1) The upsurge of white liquors (like tequila, vodka, and rum), (2) a steady growth in cordials volume, and (3) drinks that have some juice in their formulations.

Their influence in what men are drinking is becoming increasingly clear, too. Doug Bates, food and beverage director at the 125-unit Chili's chain, says: "We see sweeter drinking happening to an increasing degree overall, and more men seem to be ordering coolers and sweeter wines."

**THE FEMALE INFLUENCE**

| Category | Women Drinkers* | National Average** |
|---|---|---|
| Wine | 60.7 | 32.3 |
| Sparkling Wines | 35.3 | 25.0 |
| Vodka | 31.1 | 24.9 |
| Light Beer | 29.8 | 25.2 |
| Wine Coolers | 26.3 | 21.9 |
| Gin | 17.0 | 15.8 |

Source: *Good Food magazine; **Simmons research, 1986

Linda Bruestle, manager of Champs sports bar in Minneapolis, agrees that women have set the pace, specifically in the wine category, "especially with coolers. I believe bottle styling and packaging makes a bigger difference with women than with men, and all the top product makers seem to be tailoring their efforts in that direction."

Champs these days promotes its wines in smaller "individualized" bottles to appeal more to female drinkers. "Each bottle contains two glasses. We find women are more inclined to order them and maybe one or two more and still spend as much as they would for a regular-sized bottle."

Around Detroit, she says, fruit flavors, like raspberry and apple, are favorites with her women customers. But orange and cranberry show signs of becoming major calls in the new year.

Ainsley Williams of Spanky's says the female influence on drinking in his Savannah, Ga., units is a bit more moderate. Men are still drinking the same type of basic drinks they traditionally did," he points out, "but schnapps is still popular. And we sell a lot of sweet shooters and cream shooters to women. So far, our male customers haven't followed the gals toward these types of drinks."

**Trade-up push:** Nevertheless, because of the strong attitudes women have about brands, major marketers in the spirits, wine, and beer classifications are counting on them to fuel industrywide trade-up drives in 1988 and beyond to rebuild volume levels that fell in recent years.

"We consider women an important part of today's trade-up syndrome," a Seagram spokesman points out. "You just can't assume it's the businessman who's the target of industry trade-up efforts any more."

3/28/88 C 5150-5

NEWSPAPER

**Savvy restaurateurs ride seafood wave**

Focus section follows page 32

**COEX conference stresses service**

Story and pictures/Pages F32-F38

**'Babette's Feast' inspires L A chef**

West Coast Report/Page 94

Nation's Restaurant News®

*The Weekly Newspaper of the Food-Service Industry*

Vol. 22, No. 12 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $26.50 a year | March 21, 1988

# House panel OKs $5 wage

## *But industry wins 50-percent tip credit*

**By Ken Rankin**

WASHINGTON — A committee of the U.S. House of Representatives has approved raising the minimum wage to $5.05 from $3.35 over the next four years.

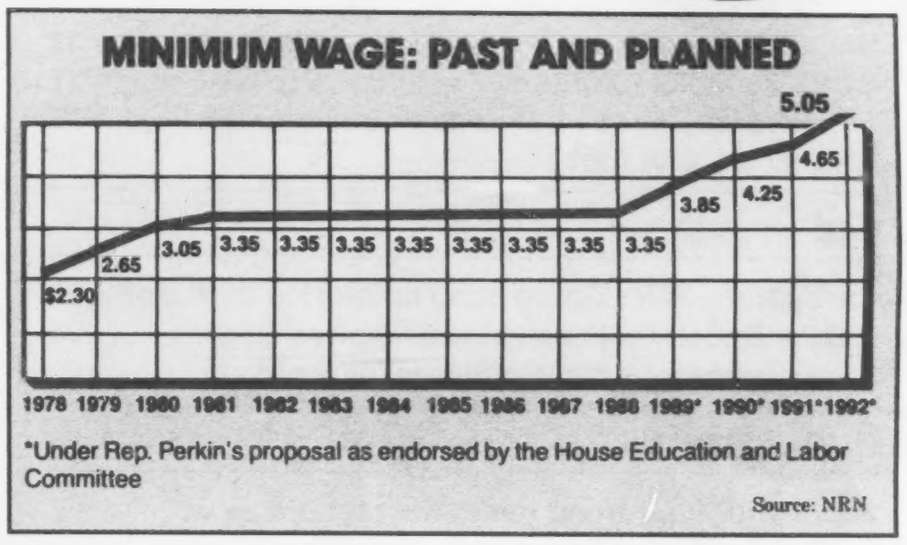
The Congressional Democrats also voted to sugar-coat the pending minimum-wage legislation by boosting the present 40-percent federal tip credit to 50 percent.

The move was designed to at least partially atone for the provision in last year's revenue bill requiring restaurateurs to pay Social Security (FICA) tax on employee tips.

But before food-service industry lobbyists could celebrate the tip credit victory, the full House Education and Labor Committee raised the stakes in the continuing minimum-wage battle by endorsing a new plan to boost the national hourly pay floor to more than $5.

The controversial wage proposal, advanced by Rep. Carl Perkins (D-Ky.) during the House committee's markup session earlier this month, came as a rude shock to opponents of the pending minimum wage bill, who were expecting the panel to virtually rubber-

*(See **WAGE**, page 108)*



**Richard Perry, owner of Richard Perry's Restaurant in St. Louis, left, and Carl Bruggemeier, co-owner of The Phoenix in Cincinnati, at the International Food Media Conference in Kansas City.**

## *Sous vide hot topic at 'heartland' confab*

**By Joe Edwards**

KANSAS CITY, Mo. — Forget fried chicken with white gravy and meat loaf with cheese. High-tech sous vide was the surprise hot topic at a big powwow here on "heartland" food.

Amid all the talk about the "real, honest food" of the Midwest, several restaurateurs and food experts praised sous vide—French for pouch cooking.

They told the 150 food writers attending the International Food Media Conference at Westin Crown Center that pouch cooking is an important part of the trend toward convenience foods and a labor-saving technique for restaurateurs.

Calling sous vide "a revolutionary process," Carl Bruggemeier, co-owner of The Phoenix food-service complex in

*(See **SOUS VIDE**, page 108)*

# Peasant sets formal affair

## *Atlanta group plans high-brow supper club*

**By Jack Hayes**

ATLANTA — After six years of on-and-off negotiations, Peasant Restaurants Inc., a restaurant group best known for a string of casual operations, has completed a deal to open its first formal property.

The approximately 13,000-square-foot downtown lunch and dinner club is set to open by October in the lavishly renovated 1913-vintage Hurt Building.

The Peasant brood of upscale, casual dining spots began with the Pleasant Peasant in 1973 and now includes the Peasant Uptown; The Public House; Park; Country Place; Dailey's; Winfield's; a Pleasant Peasant in Washington, D.C.; three Mick's diners; Buck's; and the California-inspired Trio.

The new restaurant will occupy a major part of the building's second floor, with a massive marble-staired entryway at mezzanine level.

Decor in the main dining room and private banquet rooms will be Old World traditional, and the menu will feature steaks, chops, and

*(See **PEASANT**, page 108)*

# Pillsbury sells Bay Street chain

**By Peter J. Romeo**

DALLAS — Pillsbury has kicked off its restaurant divestiture program by agreeing to sell the 16-unit Bay Street seafood chain to a management group backed in part by Restaurant Associates, the New York dinner house operator.

The deal also marks the debut of a self-described "boutique banking concern" called Restaurant Capital Corp., which said it plans to amass a portfolio of restaurant investments by bartering operating expertise as well as financing.

Meanwhile, Pillsbury's dinner house subsidiary, S&A Restaurant Corp., is continuing negotiations to spin off its Key West Caribbean concept to the fledgling chain's manager, Dennis Hood. S&A is also talking with other parties.

Some 2,000 miles away in Pillsbury's Minneapolis headquarters, executives are debating which of the conglomerate's other restaurant chains, if any, should

*(See **BAY STREET**, page 4)*

**FOOD WATCH**

## *Carpaccio cups*

SAN FRANCISCO — Carpaccio, that Italian delicacy of raw, paper-thin slices of beef, comes with five different condiments at one restaurant here.

Bill Miller, co-owner of 17-month-old RAF Centrogriglia, said tarragon-mustard sauce and a combination of capers, roasted garlic, and Parmesan cheese shards are the best sellers. Other RAF carpaccio condiments include grilled onions and olive oil, aïoli, and anchovy.

For one carpaccio dish, executive chef Rosemary "Rick" O'Connell rolls the beef into cups, or "pockets," and stuffs them with fresh Asiago cheese, fennel, and roasted garlic. The pockets rest on lemon slices and Italian parsley.

—Alan Liddle

CHARLES BERNSTEIN COLUMN ANCHORS NEW NRN SECTION — PAGES 3, F3

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Vol. 22, No. 12 March 21, 1988

## NEWS DIGEST

# Shoney's licensee RMS hires banker to assess sale

MACON, Ga. — Restaurant Management Services, a Shoney's franchisee here, said it has retained a San Francisco investment concern, Montgomery Securities, to assess the possibility of selling the company.

Restaurant Management has received several overtures but no formal acquisition bid as yet, said chairman Robert Sinclair.

"No one should conclude from this action that any offer for an acquisition of the company will occur in the near future or at any other time," Sinclair asserted.

# Legal Sea Foods adopts Shandong fare of China

BOSTON — Legal Sea Foods, the six-unit restaurant chain here specializing in simply prepared seafoods, has broken with its plain-is-best tradition by adding an array of authentic dishes from the Shandong area of China.

The region's seafood-based cuisine is little known in this country. The examples now available at Legal, including vinegar-pepper seafood soup and salmon fillets marinated in scallion oil, were developed for the chain by two visiting Shandong chefs, Ji Yonghe and Li Yongchen of the Xi Yuan Hotel in Beijing.

# Ninfa's opens seafood place in new diversification step

HOUSTON — Ninfa's, the Laurenzo family's budding restaurant empire here, has branched into the seafood dinner house market with the opening of Joey Jack's.

The restaurant's à la carte menu lists such standards as shrimp, oysters, and clams in addition to an array of side dishes.

Ninfa's, which is best known here for its nine casual Ninfa's Mexican restaurants, has been on a diversification tear. Recently, the privately held company spun off a fajita delivery service. It is also developing a drive-thru Italian chain called Bambolino's.

# Häagen-Dazs rolls new soft-serve frozen line

MINNEAPOLIS — Häagen-Dazs, Pillsbury's string of 300 dipping stores, is rolling out a line of soft-serve ice cream in a bid to differentiate itself from the horde of other chains specializing in superpremium frozen desserts.

The ice cream vendor is also adding an almond crunch version of its ice cream bar.

Pillsbury, which also operates Burger King, Godfather's Pizza, Bennigan's, and Steak and Ale, has been criticized for lagging behind competitors in new product development.

# LA chef Yamaguchi plans to open restaurant in Oahu

OAHU, Hawaii — Roy Yamaguchi, the award- winning former chef and ex-partner of 385 North in Los Angeles, has leased space with a new partnership here to open Roy's, a 125-seat restaurant on the harbor in Hawaii Kai.

Budgeted for $1 million and set to feature Yamaguchi's contemporary, French, and Asian-influenced cuisine, Roy's is scheduled to begin construction in June and open by November.

# Spartan deal to add 135 Hardee's units in 5 years

SPARTANBURG, S.C. — Spartan Food Systems has inked an agreement with Hardee's that calls for Spartan to open 135 new Hardee's restaurants over the next five years and to dissolve its Pryde's hamburger concept.

The agreement allows Spartan, Hardee's largest franchisee with 405 restaurants, to charter new territories as well as develop units within its existing franchise area. Spartan currently operates Hardee's in nine Southern and border states.

Under the deal, Spartan will either sell or convert its seven Pryde's restaurants to Hardee's units.

Jack in the Box's new Chicken Fajita Pita.

# Jack in the Box adds second version of Fajita Pita

SAN DIEGO — Jack in the Box is rolling out a chicken-filled version of the Fajita Pita sandwich that sent the fast feeder's sales skyrocketing after its introduction a year ago.

The $2.49 Chicken Fajita Pita consists of a "pocket bread" filled with chicken breast strips, chopped tomatoes, two types of lettuce, four types of peppers, and shredded Cheddar cheese. Jack in the Box is quick to point out that the sandwich has only 350 calories.

In the past year the 900-unit chain has introduced a number of new products, ranging from egg rolls to oversized cheeseburgers to fuel a sales and earnings turnaround.

# Bennigan's touts new line of Southwestern specialties

DALLAS — Eager to mine the public's ardor for regional American cuisines, the 200-unit Bennigan's dinner house chain is touting a new menu line of Southwestern specialties.

Included on the promotional menu is a signature item dubbed the Fajita Burrito, a hybrid blend of two popular Tex-Mex finger foods. It is available in both a beef and mesquite-grilled chicken version.

In recent years Bennigan's marketing strategy has pivoted on the short-term promotion of cuisines in vogue at the time. Hot-selling items are often added to the casual-themed chain's permanent menu.

# Bildner ceases operation of Filene's restaurants

BOSTON — J. Bildner & Sons said it has ceased operating restaurants in Filene's department stores under a new agreement hammered out with Filene's parent, Federated Department Stores.

To break its two-year-old contract to run the restaurants, Bildner agreed to sell all of its assets in Filene's stores to Federated. Bildner also operated candy shops in the stores.

# Western Steer sells chain to Kelley for $6.1M, stock

CLAREMONT, N.C. — Western Steer Mom 'n' Pop's Inc. has sold its seven-unit Mom 'n' Pop's country store and restaurant chain to former director E.W. Kelley for $6.1 million in cash and notes and about 80,000 shares of Western Steer stock.

After the deal was completed, Kelley resigned as a director.

# Fuddruckers reformats in next step of comeback try

CLEARLAKE, Texas — Fuddruckers has opened a prototype restaurant here that the once-bankrupt chain is eying as its vehicle back to sound financial health.

The outlet, which is decorated in a Southwestern motif, features a more varied menu than did previous Fuddruckers hamburger restaurants. Included on the new listing are a grilled fish sandwich, fajita salad, and barbecued chicken salad.

With its dining room divided into sections, the prototype is more intimate than the sprawling Fuddruckers units of the past, said the 110-unit chain. A bakery and display kitchen were retained from the old format.

# Food stores missing take-out market

By Rick Telberg

Restaurateurs have little to fear from the nation's supermarkets and convenience stores as long as food store merchandisers target white-collar professionals, according to an exclusive new study by Nation's Restaurant News.

NRN/SRI Poll

While food stores across the country are adding salad bars and expanding their deli operations to capture on-the-go, upwardly mobile consumers, the heaviest users of food store food service remain far more middle-class, the NRN/SRI Poll suggested.

Fully 44 percent of 1,000 consumers surveyed for NRN by SRI Research Center Inc. of Lincoln, Neb., said they rarely or never pick up a meal at a food store.

Of the 27 percent who said they do so at least once a week, blue-collar nonwhites seemed to dominate.

For instance, 34 percent of the consumers who identified themselves as pink- or blue-collar workers take a meal once a week from a food store. But only 14 percent of the professionals or managers do.

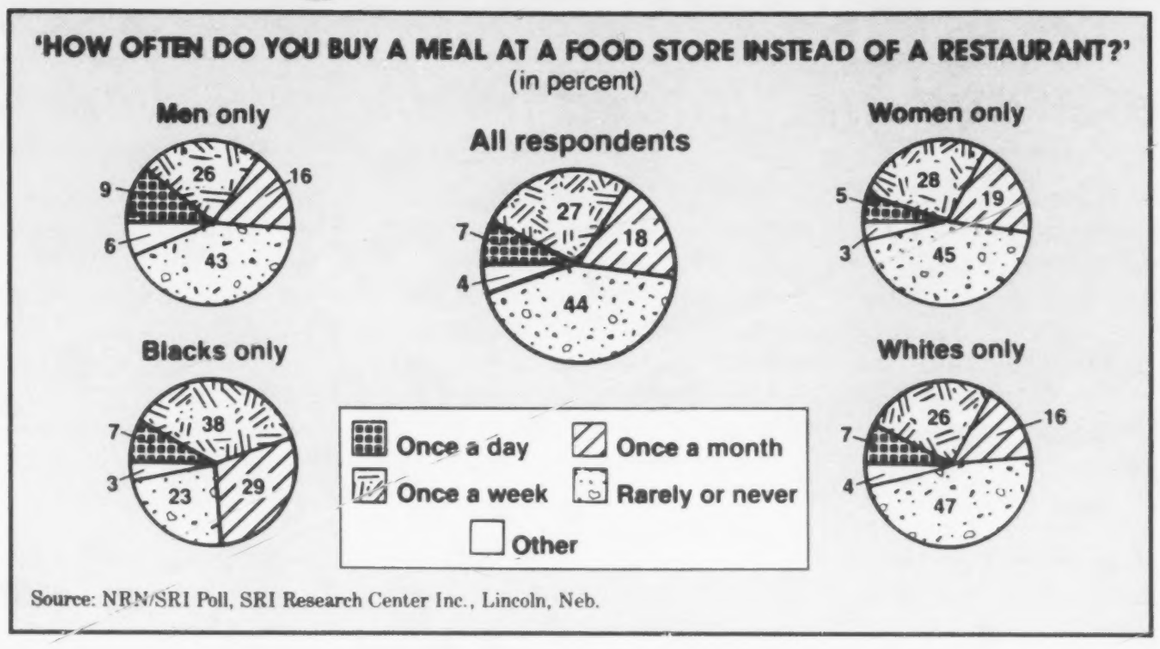
Among ethnic groups, only 26 percent of the whites said they eat on the run from a food store once a week. But 38 percent of blacks and 41 percent of Hispanics do.

The difference was even more striking among once-a-month users, where both blacks and Hispanics outnumber whites 2 to 1.

Among daily users the most striking finding was that men outnumber women 63 percent to 37 percent. Women outnumber men by 56 percent to 44 percent among the once-a-week users.

But the merchandisers are hitting their target market of young adults, the poll suggested. For example, 18-to-34-year-olds led the heavy-user once-a-week and once-a-day categories.

This month's question was phrased: "People sometimes purchase a meal at a food store—that is, a grocery store, convenience store, or specialty store—instead of going to a restaurant to eat. How often do you do this?"




Source: NRN/SRI Poll, SRI Research Center Inc., Lincoln, Neb.

# Bay Street sold to management group

(Continued from page 1)

also be put on the auction block.

Pillsbury's new chairman, William Spoor, has declared that the 4,700-unit Burger King system is definitely not for sale despite rampant rumors to the contrary.

But he has yet to say anything about the fate of the 600-store Godfather's Pizza chain, which was identified as a possible divestiture candidate by Spoor's successor, John Stafford.

Before he was forced to resign, Stafford also indicated that Pillsbury would keep S&A's established dinner house chains, 165-unit Steak and Ale and 200-store Bennigan's.

Pillsbury, one of the nation's largest food concerns, has been reeling for the past two years from a sales and earnings slowdown. Investors have blasted Stafford for allowing the once-aggressive conglomerate to falter in the areas of marketing and new product development, which are often the keys to success in both the restaurant and food-processing industries.

Stafford succeeded Spoor as chairman, president, and chief executive in 1985. He was called out of retirement to reclaim his old posts.

Toward the end of Stafford's tenure, Pillsbury said it would attempt to streamline restaurant operations by jettisoning Bay Street, Key West, 30 Steak and Ale units, at least 160 Burger King outlets, and a recent start-up that operates restaurants in hotels. The strategy was to divest new or ailing businesses to concentrate more intently on core operations.

In the first deal actually penned since Pillsbury revealed those plans on Nov. 4, S&A signed a letter of intent to sell Bay Street to a group led by the chain's general manager, Alan Palmieri.

The group includes other Bay Street executives and Restaurant Capital, which was formed last summer by Restaurant Associates and the Oppenheimer & Co. investment banking concern.

*As a partner in Restaurant Capital, Restaurant Associates is prepared to render whatever resources Bay Street might need to smooth the transition.*

Terms of the Bay Street deal were not revealed.

S&A launched the Bay Street concept in 1984 to diversify its dinner-house holdings. "Alan [Palmieri] and his management team have been instrumental in developing the chain," noted S&A chairman Kyle Craig.

"Nothing is changing at Bay Street except the ownership," Palmieri declared.

"We plan to let the management of Bay Street run the chain as they have done since 1984," said Restaurant Capital president Bill Bouffard. "Our role is to work with Bay Street's management to make the change in ownership as smooth as possible."

However, as a partner in Restaurant Capital, Restaurant Associates is prepared to render whatever resources Bay Street might need "to smooth the transition in ownership and grow the business," Bouffard added.

"Restaurant Associates' chairman, Martin Brody, is taking a fatherly role," he said.

"We'll operate for the next 12 months with the same number of units currently open," Bouffard continued. "During that time we will work with management to put together a strategic plan for growth."

Restaurant Associates operates 112 restaurants, including the Acapulco, Charlie Brown's, the Office, and Charley O's chains. The New York-based company has just undergone a management-led leveraged buyout of its own.

"I've been a friend of Martin Brody for a long time," Bouffard said. "Last summer he spoke to me about finding ways for Restaurant Associates to leverage its expertise in operating restaurants."

At the same time New York-based Oppenheimer was seeking new ways of putting its financial might to use.

The result was the formation of Restaurant Capital in September.

"Since then, we've looked at probably 100 restaurant concepts [as possible acquisition candidates]," Bouffard said. "We have conversations under way right now with about a dozen." Key West is not among those concepts, he said.

"We want to be a boutique banking concern for the restaurant industry," he added. "We're interested in what we call 'signature concepts'—groups that are unique or different." He explained that Restaurant Capital plans to participate in the acquisition of such groups by providing the buyers with both financial and operational assistance.

For the year ended May 31, 1987, Pillsbury reported a decline in earnings of $182 million, down 12.5 percent from the prior-year figure, on revenues of $6.1 billion.

# TW appoints Verney prexy at Winchell's

Verney

By Richard Martin

NEW YORK — TW Services, the food-service conglomerate, has named Denny's Inc. veteran James C. Verney president of WDH Services Inc., the managing partner in loss-plagued Winchell's Donut Houses L.P.

The 700-unit chain is 42 percent-owned by TW through Denny's, its California-based coffee shop subsidiary.

Verney, the veteran operations vice president of another Denny's division, the El Pollo Loco grilled chicken chain, will report to Jerome J. Richardson, TW's president.

Verney, who joined Denny's in 1974 and helped direct El Pollo Loco's growth from 15 units to nearly 100 during the past four years, succeeds Carl E. Hass, who resigned as president of Winchell's last December amidst widespread departures by Denny's and Winchell's executives.

TW bought Denny's last September, and Richardson took personal charge of the company in January upon the resignation of Donald L. Pierce, who was president of Denny's and chairman of Winchell's.

Richardson, TW chief executive Frank Salizzoni, and Verney are joining the board of Winchell's, with Richardson as chairman.

A source at TW said the seating of its officers on Winchell's board signaled TW's intention to retain its controlling stake in the troubled doughnut fleet rather than find a buyer.

However, observers noted that the presence of top TW officers on the board could help expedite a sale of the 40-year-old chain.

# Mazzonelli dies

ATLANTIC CITY, N.J. — Rudy W. Mazzonelli, food and beverage vice president of the Showboat Hotel Casino here, has died after a long illness. He was 62 and resided in Somers Point, N.J.

He had been food and beverage vice president of Resorts International Hotel here for many years before joining the Showboat in 1984.

Mazzonelli, who resided in Somers Point, N.J., earlier had been food and beverage manager of the Pierre Hotel and the Waldorf Astoria Hotel in New York. He was a prominent member of the Friars Club.

# Russo joins Hanson Industries

FRAMINGHAM, Mass. — Thomas J. Russo, a leading executive in the restaurant industry for the past two decades, has joined Hanson Industries as chairman and chief executive of its nine-company housewares group.

Russo

He heads a vast network of housewares manufacturing divisions in the United States, selling to retailers worldwide and warehouse facilities in the Far East.

The job offer came after Russo, as a consultant advising on possible improvements, had looked at various Hanson divisions. He did not look at Hanson's Ground Round restaurants (a chain he helped lead in the 1970s and early 1980s) in that capacity. Nor will he play any role in Ground Round, he indicated.

"The same principles which apply to managing a restaurant chain can be utilized in housewares and general merchandise businesses," Russo said. "I welcome this challenge at Hanson, although I am truly sorry to leave the restaurant industry, which I love so much."

Russo was a Howard Johnson Co. executive for 18 years, serving as restaurants and hotels president in the early 1980s, when HoJo was owned by the Imperial Group, a British conglomerate. He led an apparent turnaround as president of Ponderosa Steak Houses in 1985 and 1986 before resigning in early 1987.

## CORRECTIONS

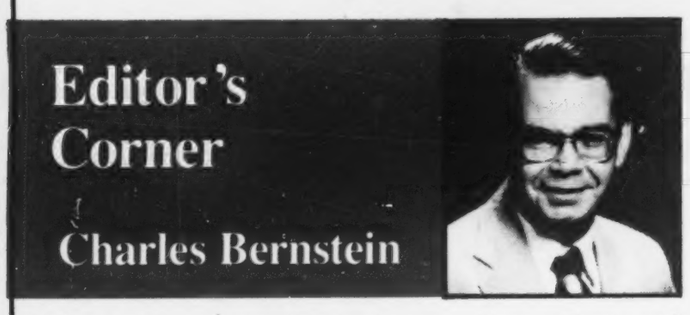
"Orlando," Page F3, Feb. 29, misidentified the city's mayor as Tom Frederick. In fact, his name is Bill Frederick. The same article was accompanied by a table that reported total 1987 retail sales in the Orlando area as $6.6 million, instead of, correctly, billion. "Fine-dining wars hit Orlando," Page F12, misspelled the name of a part owner of The Peabody Orlando Hotel as Bells Enterprises. In fact, it is Belz Enterprises.

# FOCUS | VIEWPOINT

## Chains play pawns in acquisition game

A spate of recent acquisitions is casting a cloud over the future of numerous chains. Already under pressure from saturated markets that are cutting into customer counts, operators can only be hurt more by uncaring outside influences.

Unfortunately, powerful investment companies and conglomerates are looking upon each food-service operation, not as a special kind of business, but as just another company to be plucked for its maximumworth. They fail to realize that this is not a manufacturing business, but rather a highly personalized service that requires an individualized approach.




John Kluge's Metromedia deal to acquire Ponderosa is one of the most puzzling acquisitions ever to hit the food-service landscape. Although he is usually perceptive in his dealings, the reasoning behind this one is unclear.

Coming just a year after investor Asher Edelman purchased Ponderosa for $235 million (with the blessing of longtime Ponderosa chief executive Gerald Office), this situation is baffling and demoralizing for a chain that has already faltered badly after turning around in 1986 under Thomas J. Russo's management.

Ponderosa apparently was just a financial toy in Edelman's growing network of unrelated companies. He now sees it as a tool that will make him millions of dollars in the Metromedia deal.

Exactly what New York-based Metromedia wants with Ponderosa or knows about restaurants is a mystery. Nor does Metromedia indicate the slightest concern, other than a financial one, about turning tottering Ponderosa around and making it viable in the marketplace.

Kluge, who sold Metromedia's widespread television holdings to Rupert Murdoch for $2 billion three years ago and also unloaded the Harlem Globetrotters and the Ice Capades, owns a long-distance phone company, a robot machine system for painting large billboards, 25 percent of a movie-television company, and other holdings.

Ponderosa—like too many other food-service chains—is nothing more than a pawn in a game for corporate profits, which tend to run into losses under such ownership.

Nor can one easily explain the logic behind the deals whereby Weatherly Private Capital of New York is buying Harry and Marilyn Lewis' California-based Hamburger Hamlets and the Lexington Investment Co. of Morristown, N.J., has acquired Morton's steak houses.

The Lewises and Chicago-based Arnold Morton remain consultants to the operations they so painstakingly developed. But control and real management have passed to investment corporations that know nothing about the restaurant business and don't seem to particularly care. They might just as well be investing in any other business.

This whole syndrome is a sad commentary on the loss of entrepreneurial spirit. If the founders felt they did not want to, or could not, retain ownership, it would have been better if a restaurant-oriented management were involved in any takeover.

It is also an illustration of the fierce operational and financial pressures that are increasingly forcing chains and entrepreneurs alike to sell to the highest bidder—whether that bidder is concerned with the future of the restaurants or not.

At least in Chi-Chi's case, where founder Shelly Frank previously stepped away, the chain is being acquired by a food-service company with restaurant experience rather than by an apathetic corporation, as had been threatened. Foodmaker Inc., slated to be Chi-Chi's new parent, has boosted its Jack in the Box units greatly in the last few years under Jack Goodall and earlier had operated diversified dinner houses under the Continental Restaurants banner.

Some question the eventual results of such recent acquisitions as Horn & Hardart's purchase of International King's Table, Anwar Soliman's takeover of Naugles and Del Taco, and TW Services' absorption of Denny's with Jerry Richardson as the new president. But these are food-service operators trying to run other food-service operations—not a foreign force stepping into food service.

Similarly, the Pritzkers' projected integration of Ramada into their Hyatt empire would at least create a compatible mix. But Revlon chairman Ronald Perelman's apparent desire to take over TW Services would represent an incompatible combination.

It takes a personal touch and feel to make food-service operations work. Financial and investment companies are ill-suited for such a role. Yet many corporations and investors still view food-service chains and the most illustrious individual restaurants as glamorous opportunities rather than recognizing the total commitments that such restaurants need to function properly.

Happily—if the pledge remains long-lasting—Pillsbury under just-returned chairman William Spoor ostensibly has finally decided to pour full resources into making Burger King a strong No. 2 and holding off a growing challenge from Hardee's as well as trying to regain overall market share.

Major corporations can handle restaurants only with executives dedicated to this sphere. General Mills restaurant group president Joe Lee, while failing with the Good Earth and Leann Chin, has scored heavily with Red Lobster and now with the Olive Garden. He has done so because he cares more about his restaurants, employees, and customers than about the corporation, loyal as he is to General Mills.

It takes this kind of personal anticorporate approach to succeed. The last things needed today are rolling out more widgets and treating restaurants as "stores," "manufacturing units," or "business units."

Selling out to the highest bidder may be a financial necessity for some, but it is an appalling blot on the industry. What's desperately needed in the ownership and leadership ranks is more people who love the restaurant business and fewer who regard it as just another investment.

## LETTERS

### *MUFSO winners: Thanks for the Maui memories*

Editor, NRN:

Sandy and I have recently returned from our MUFSO grand prize trip to the Westin Maui resort, and we would like to thank you for everything.

Hats off to the Westin Hotel; it is a fabulous, first-class facility that provides everything a guest could wish. The incredible pool area, golfing, diving, sailing, whale watching, great food, empty beaches, and the friendliness of its staff made the place a pleasure to enjoy. By the way, it doesn't rain on the Lahaina side of Maui.

We left the frigid confines of minus 10 degrees Fahrenheit and arrived a place where there are warm trade winds of 85 degrees and a water temperature of 78 degrees.

The Kaanapali Beach area is represented by the Sheraton, Marriott, and Hyatt Regency Hotels, to name a few, and all provide excellent facilities.

The representation at the luau at the Sheraton Maui is similar to a MUFSO convention—people there are from every part of the world.

After considerable thought, I think the grand prize format needs to be revamped. I suggest that, commencing with this year's MUFSO in Washington, the previous year's award winner should accompany the 1988 winner.

It's very important that someone familiar with the area make the winner's vacation memorable.

Sandy and I volunteer our services!

Once again thank you for making our first stay in Hawaii such an experience.

To all suppliers and those behind MUFSO—Mahalo.

**—Gerry and Sandy Kinsella**
Golden Griddle Pancake House Limited
Toronto

### *3 cheers for reminder that profit's not bottom line*

Editor, *NRN:*

Thank you for your excellent Jan. 11 Editor's Corner column, "Beyond the bottom line, helping others in need." Bambolino's supports you 100 percent in your call for restaurant and chain executives "to set the highest standards of ethics in an age of confused values."

All of us too often forget that our businesses are part of a society and in fact have a social as well as and an economic responsibility to perform. We applaud your efforts in reminding us that what we do in our industry should have an impact far beyond making a profit. Three cheers!

**—D. Drue Pollan Jr.**
*president*
Bambolino's Original
Drive-Thru Italian Restaurant
Houston

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# Wage hike OK'd by House

*(Continued from page 1)*
stamp legislation previously approved by the House Labor Standards Subcommittee.

That original measure, sponsored by Rep. Augustus Hawkins (D-Calif.) and Sen. Edward Kennedy (D-Mass.), called for a three-stage hike in the present $3.35 hourly wage floor, to $4.65. But instead of that formula, the committee approved Perkins' plan, which involves four annual increases in the minimum totaling $1.70 per hour.

As a result, instead of facing a 39-percent hike in the minimum wage, restaurateurs and other employers now risk being hit with an increase of more than 50 percent in the hourly rates because of their lowest-paid workers.

Food-service industry lobbyists played down the importance of Perkins' amendment, calling the $5.05-per-hour wage plan nothing more than a "bargaining chip" that congressional Democrats will deal away once the bill reaches the House floor for a showdown. If anything, National Restaurant Association officials told NRN, the $5.05 hourly wage plan could backfire on minimum-wage advocates by stiffening industry opposition to the legislation.

Under the Perkins plan, the current $3.35 rate will jump 50 cents next Jan. 1, to $3.85. After that, the minimum hourly wage will rise by an additional 40 cents at the beginning of each of the next two years, and finally by another 40 cents to $5.05 on Dec. 31, 1991.

For establishments employing tipped workers, the unprecedented increases would be softened somewhat by the separate amendment approved by the committee to raise the federal tip allowance. That provision, introduced by Rep. Tommy Robinson (D-Ark.), calls for increasing the current 40-percent tip credit to 45 percent in the first year and then to 50 percent in 1990.

Although this boost in the federal tip allowance is a far cry from the 100-percent credit originally demanded by the National Restaurant Association, industry lobbyists privately acknowledge that that plan was doomed from the start. Indeed, top NRA officials told NRN that they would consider a hike in the tip credit to 50 percent "a victory" because it would roughly offset the additional payroll tax imposed on the industry by last year's FICA tip tax law.

But while the higher tip allowance approved by the House committee will make a minimum-wage increase easier for some restaurateurs to swallow, on balance even these food-service operators will wind up paying sharply higher wage rates under the latest bill.

Indeed, even with a more generous 50-percent tip credit the actual dollar cost of employing each new full-time waitress or other tipped employee will experience a net increase of 52 cents per hour—more than $1,000 per year per worker—if the Education and Labor Committee's legislation is enacted by Congress.

That labor cost increase is on top of the extra payroll costs imposed on the food-service industry by Congress last year via the new Social Security tip tax. As a result of that legislation, the cost of employing a typical minimum wage-earning tipped employee rose by 65 cents an hour (or $1,300 annually) at the beginning of this year.

## *Capitol staff gets coverage*

WASHINGTON — The House committee has voted to extend coverage of the Fair Labor Standards Act to congressional employees.

Under the proposal, wage-hour Capitol Hill employees and members of committee staffs of Congress not only will receive minimum-wage benefits but also will be covered by federal overtime law. The amendment, introduced by Rep. Steve Bartlett (R-Texas), was approved unanimously and referred to the Committee on House Administration for further approval.

In a joint effort by Rep. Matthew Martinez (D-Calif.) and Austin Murphy (D-Pa.), the House committee also voted to extend minimum-wage benefits to workers in the Virgin Islands but decided to exempt Puerto Rico from the bill.

## *How the wage plan would work*

WASHINGTON — How will the wages of tipped waiters, waitresses, and other gratuity-receiving food-service workers be affected by the latest minimum-wage plan embraced by the House Education and Labor Committee?

The current minimum hourly rate is $2.01, calculated by subtracting the 40-percent tip credit from the minimum-wage rate of $3.35.

The rate would rise 5.5 percent, to $2.12 per hour, on Jan. 1, 1989, reflecting a 50-cent increase in the federal minimum wage, to $3.85, plus a rise in the current 40-percent tip allowance, to 45 percent.

A year later the hourly rate will climb by one cent, to $2.13 per hour, in 1990, reflecting a 40-percent increase in the minimum wage, to $4.25, combined with a 50-percent tip credit.

At the start of 1991, however, the wage minimum for tipped employees will increase 9 percent, to $2.33 per hour, and then at the end of 1991 climb by another 8.2 percent, to $2.52 per hour—50 percent of the new $5.05 hourly rate.

## *GOP stalls action on wage hike*

WASHINGTON — Final committee action on this year's minimum-wage bill was postponed for at least a week to enable House Republicans to introduce a series of amendments of their own.

Among the GOP provisions expected to surface:

- A subminimum "training wage," under which restaurateurs will be able to hire and train new workers for a limited period at less than the regular hourly pay floor.
- Reduced wage rate increases providing for a two-stage hike in the minimum, to $3.60 per hour in 1989, and $4 in 1990.
- A broader small-business exemption, under which restaurateurs and other employers with fewer than 20 workers or less than $1 million in annual revenues would no longer be subject to the federal minimum-wage law.

# Sous vide debated in KC

*(Continued from page 1)*
Cincinnati, said the process "is not something to be afraid of. It will not replace Richard Perry or Larry Forgione"—two chefs who shared the podium with Bruggemeier at a session on heartland cooking.

Comparing sous vide with the centuries-old method of cooking in parchment bags—*en papilotte*, as the French call it—Bruggemeier said, "It is extremely difficult, in fact impossible, to tell the difference between food that has been just cooked and food that has been sous vided."

Cookbook author Bert Greene, speaking at another session, wasn't so sure. "It's terrible that people want to pop things in the microwave," declared the New York-based author of "Honest American Fare." And, he added, "the worst thing is they want to put it in a pouch bag in the microwave."

Greene said he is concerned that too much emphasis is being placed on convenience. Americans might be losing the "great artistry of cooking. They're mainly interested in getting in and out of the kitchen."

Michael Grisanti, National Restaurant Association president, said sous vide offers restaurateurs "better utilization of manpower and more productive use of time."

Using the sous vide process, chefs can prepare meals in advance, pack them in vacuum-sealed plastic bags, and reheat them in hot water at service. The bags can be stored in refrigerators for three weeks or more. There is already talk in the industry about "kitchenless" restaurants using sous vide products exclusively.

Food historian Joanna Pruess specifically singled out microwaves, supermarket, and restaurant take-out departments and sous vide meals as part of the convenience revolution.

"Convenience is driving the supermarket and restaurant industries," Pruess said.

In a speech explaining how American and French chefs influence each other, Richard King, who operates The American Restaurant in Kansas City, noted that French technology "produced the new sous vide process which we Americans now use to preserve the shelf life of our new American cuisine. The crossover continues."

King recalled that French chef Pierre Franey, who worked at Henri Soule's Le Pavilion after moving to this country in 1939, switched to Howard Johnson and then slipped "some of the dishes he had prepared at Le Pavilion into plastic pouches" and froze them.

"This wonderful Frenchman," King continued, "utilized our technology so that we Americans could enjoy a roadside dining experience of such entrées as *boeuf Bourguignonne* fast and cheap at $4.95."

NRA's Grisanti noted that some food experts and futurists are predicting that advances in cooking and storage technologies might dictate how people eat in coming years.

"If vacuum-packaged meals with long shelf lives become widely accepted, experts have predicted that we may see double-drive-thru kiosks where customers can zip by and pick up a gourmet meal that can be microwaved at home," he said.

Bruggemeier called sous vide "simply an option" for restaurateurs and pointed out that "you cannot have great sous vide product without great raw product and great cooking talent."

He said he recently turned out a 12-course meal for 15 executives by himself, using sous vide product and a four-burner stove.

The Food and Drug Administration is less than thrilled with sous vide, however. The federal agency has declared that on-premises pouch cooking in restaurants violates existing health codes. But the FDA said last month that restaurateurs could continue to purchase and serve commercially prepared pouch products.

Technology is influencing other areas of food preparation as well, several conference speakers said.

# Peasant plans 1st formal unit

*(Continued from page 1)*
seafood. Seating will be approximately 300.

The only item yet to be finalized is the name.

Reports said the Peasant group was leaning toward The City Grill. "That's the best candidate we have yet," said Steve Nygren, president of the $30 million organization that operates 13 restaurants in Atlanta and one in Washington, D.C.

In terms of size and scale, it would be the 15-year-old Peasant group's largest and most expensive project, estimated at $3 million. But Nygren and his staff, who consistently prosper in places where others can't stay open a year, know their biggest challenge is the Hurt Building's remote downtown location.

The part of Atlanta they'll be trespassing in has no destination draw. It lies several blocks southeast of the city's main convention fulcrum, where the Peasant group opened its profitable 350-seat Dailey's in 1981. The area is much less "tourist safe" than nearby Peachtree Center.

In fact, it will be the southernmost downtown restaurant location in the city. Therefore, dinner is considered the major challenge. But the uniqueness of the space will overcome that problem, Nygren believes. Another distinction will be the taking of reservations—a break from the Peasant's 15-year tradition.

"We're a believer in the philosophy that a metro area is only as strong as its center city," Nygren said. "For that reason we're willing to do anything in our power to make downtown Atlanta a more appealing place to visit, work in and live in," he added.

Thus is Nygren, who opened Pleasant Peasant in a dilapidated Peachtree Street building in 1973, committed to his daring downtown project. It will precede by a few months the reopening of Underground Atlanta, where Nygren has already announced he will launch a 350-seat clone of his Decatur-based Buck's.

In fact, the nearby quarter-million-square-foot Underground project, a retail, dining, and entertainment complex under development by the Rouse Co., could invite convention traffic through the Hurt Building neighborhood, which lies in a direct path from the downtown hotels.

Meanwhile, resident office tenants promise a thriving lunch business for The City Grill. Formerly a headquarters for Southern Bell, which built an office in midtown 10 years ago, the Hurt Building now houses attorneys, banking, and advertising clients, including King & Spalding, Atlanta's largest law firm.

Ironically, the Hurt is also home to Central Atlanta Progress, an association of business leaders dedicated to improving downtown Atlanta's image. Other tenants include the State Bar of Georgia and Georgia Bankers Association. Atlantic Realty Co. has owned the building for 52 years.

3/28/88 C 5150-5

NEWSPAPER

**Sandwich chains get smart, light**

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**Beard Foundation honors Peterson in NY**

Story and pictures/Page F12

**Cadillac, Chevy's fight 'bar to bar'**

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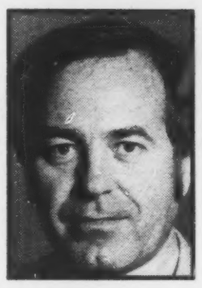
# JB's quits Big Boy

## *Strikes out on own in wake of Marriott*

By Peter J. Romeo

SALT LAKE CITY — In a major setback for the 914-unit Big Boy coffee shop chain, JB's Restaurants, a 107-store franchisee here, is pulling out of the system to compete under its own name.

As JB's began tearing down Big Boy signs, the turbulent coffee shop segment was rife with reports that Marriott Corp. was about to start the transformation of its 208 Big Boys to a new concept possibly to be called Allie's, after the conglomerate's co-founder, Alice "Allie" Marriott.



Jones

A Marriott spokesman would not confirm those reports but noted that "we've said all along that we are developing a new family restaurant concept. We should be at the point where we can test it sometime later this year."

"Instead of a national chain with a few thousand units, Big Boy is becoming a chain in the 500-unit range,"

*(See **JB's**, page 102)*

**BIG BOY: WHO'S IN, WHO'S OUT**

**EXITING OPERATORS**

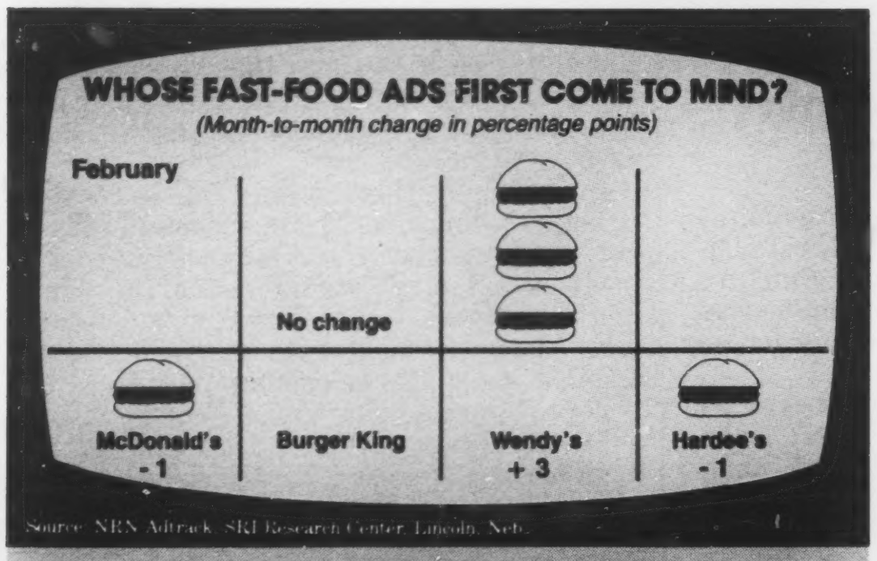
| Operator | No. of units |
|---|---|
| JB's | 107 |
| Marriott Corp. | 208 |
| Total | 315 |

**REMAINING OPERATORS**

| | |
|---|---|
| Elias Bros.[1] | 238 |
| Frisch's | 170 |
| Marcus Corp. | 106 |
| Various others | 85 |
| Total | 599 |

[1]Elias Bros. acquired Big Boy's franchising rights last fall from Marriott.

Source: Companies' reports.




# Wendy's ads score big

## *Adtrack rating jumps 3 points*

By Marilyn Alva

LINCOLN, Neb. — Wendy's advertising awareness levels among American consumers leaped three percentage points in February after the new "Hamburger A" commercials began airing on television, according to the latest NRN Adtrack poll.

NRN Adtrack

Wendy's was, in fact, the only top fast-food chain to score higher in February, when a random sample of 1,000 consumers were questioned by pollsters at SRI Research Center Inc. here. They were asked, "Of all the fast-food advertising that you have read, seen, or heard in the last month, which advertising first comes to mind?"

Wendy's 9-percent score was in marked contrast to January's 6-percent tally, which was only two points above Hardee's, which advertises only regionally. Hardee's, meanwhile, lost a point in February, to a low 3 points, two less than in December.

Burger King, which had not yet introduced its new "We Do It Like You'd Do It" campaign, posted no change from the previous-month figure, maintaining its 13-percent recall rate.

McDonald's kept its commanding lead, with a 43-percent recall rate, down a notch from January's figure, when it had inched up one point.

Also confirming the appeal of Wendy's new commercials was an NRN Adtrack screen test of a "Hamburger A" spot before a representative consumer group. The 30-second spot featuring a truck driver received a near-record rating for its appeal and clarity.

NRN's monthly Adtrack monitors unaided "top-of-mind" advertising awareness through telephone interviews across the country with adults older than 18.

# Despite gains, Chicken Littles spark rift at KFC convention

By Richard Martin

LAS VEGAS, Nev. — More than 3,000 Kentucky Fried Chicken franchisees, convening here to plot growth strategies and celebrate KFC's market-share gains, still found a few bones to pick over last summer's controversial Chicken Littles minisandwich rollout.

Despite data cited by the Louisville, Ky.-based franchisor that show a substantial increase in the chain's lunch traffic, some operators voiced complaints about low or nonexistent Chicken Littles profit margins and high labor and equipment costs attached to the product.

Officials of KFC Corp., denying that the August rollout of the 39-cent sandwich had been problematic, said independent market trackers confirm that nearly 97 percent of Chicken Littles' sales are incremental.

**KFC unveils ads in Las Vegas**

KFC's new campaign focuses on human element using family-oriented themes.

Page 102

KFC said the minisandwiches have accounted for 7

*(See **KFC**, page 102)*

# Big 4 in retreat

## *Drops plan to go national*

By Carolyn Walkup

PHOENIX, Ariz. — Big 4 Restaurants Inc. is regrouping in an attempt to boost flat and declining sales, abandoning earlier goals of going national.

The company also recently lost two management contracts it had for all food and beverage service with the Scottsdale Hilton Hotel and with Crescent Hotels for its freestanding Harvey's Neighborhood Bar & Grill.

Representatives for both hotels said they wanted more control over the food-service operations. At Harvey's the hotel plans to replace the disco with dining space and market the faltering happy hour there, said Lori Fowler, vice president of public relations. The Hilton wanted more control over quality and service and found the management contract arrangement to be unprofitable, according to Margaret Mullen, sales and marketing director.

She noted that Big 4 had no previous experience in operating hotel banquet functions and room service. "It was a difficult position for it to be in," she said.

After several abortive attempts a few years ago to

*(See **BIG 4**, page 106)*

FOOD WATCH

## *Hot rock cooking*

LOS ANGELES — Tabletop "hot rock" cuisine, an Alpine cooking technique from Germany and Italy, has dramatically boosted customer traffic in a hotel restaurant here.

Launched at the Century Plaza Hotel, the cook-it-yourself sensation is a large, flat, granite-type rock inserted in a stainless-steel frame, with optional sauce compartments and side dish holders. Preheated to retain its temperature of 500 degrees for up to an hour, the rock allows diners to tailor cooking times and service sequences to individual tastes.

"It works great for me," said Century Plaza executive chef Raimund Hofmeister, who began in-house promotions in January. "In only four weeks we doubled cover counts."

—Richard Martin

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Vol. 22, No. 13 March 28, 1988

## NEWS DIGEST

# BK names new marketing vp in wake of reported ad flap

MIAMI — Amid reports of franchisee dissatisfaction with Burger King's new advertising campaign, the chain has tapped Anthony Lavely to succeed R.J. Trutz as executive vice president of marketing.

Trutz, who shepherded Burger King's much-ballyhooed change in advertising agencies last year, reportedly said he stepped down to pursue other opportunities at the chain. He is expected to sign on as a franchisee.

Lavely was previously president of Quik Wok, the near-dead Chinese fast-food chain that Burger King's parent, Pillsbury Co., has earmarked for divestiture.

# Winners denies Spillman's request for financial data

BRENTWOOD, Tenn. — In a new move to stonewall a takeover by Dallas investor Francis Spillman, Winners Corp., the fast feeder here, has refused to provide Spillman with certain financial information he has demanded as a shareholder.

However, Winners, operator of the Mrs. Winner's chicken chain, said it has granted Spillman access to certain minutes of shareholder meetings.

Spillman has indicated that he would attempt to surmount Winners' resistance to a takeover by dealing directly with fellow stockholders. In-depth data about Winners' financial performance could strengthen Spillman's argument that a takeover would be in shareholders' best interests.

# Marriott plans to add sports bars to hotels

BETHESDA, Md. — Marriott Corp. said it plans to outfit 12 to 18 of its hotels with franchised Champions sports-themed bar-restaurants as part of a larger franchise agreement with Champions Sports Inc.

# Dunkin' founder Rosenberg retires after 38 years

RANDOLPH, Mass. — William Rosenberg, founder and chairman emeritus of the 1,800-unit Dunkin' Donuts chain, said at Dunkin's annual stockholders' meeting here that he was retiring after overseeing the company for 38 years.

Day-to-day operations will continue to be handled by Rosenberg's son, Robert, who retained his titles of chairman and chief executive. The elder Rosenberg, age 71, will serve Dunkin' part-time as a consultant, the company said.

Shareholders voted to give the senior Rosenberg, age 71, a one-time retirement payment of $1.3 million, and to pay him $70,000 annually for travel and other activities related to his consulting duties.

In 1950, William Rosenberg opened a roadside doughnut-and-coffee outlet in nearby Quincy. He parlayed that single unit into Dunkin' Donuts.

# *Pillsbury to sell Godfather's chain*

MINNEAPOLIS — Amid rampant speculation that a hostile takeover of Pillsbury Co. is imminent, the giant food concern has confirmed that it plans to sell Godfather's Pizza and further prune its other restaurant chains, including Bennigan's.

Divestiture of the 580-unit Godfather's chain and selected Steak and Ale and Bennigan's restaurants is consistent with Pillsbury's newly concocted strategy of paring back its operations to focus more intently on core businesses.

Those operations include Burger King; S&A Restaurant Corp., operator of the Steak and Ale and Bennigan's chains; and a slew of frozen-food lines, such as Tortino's pizza and Green Giant vegetables.

The company has already agreed to sell its 16-unit Bay Street seafood restaurant chain to management.

A streamlined Pillsbury might be less enticing to such food conglomerates as Beatrice Cos., Nestle S.A., or Pepsico, which have all been rumored to be preparing a hostile takeover of Pillsbury.

Because of those unconfirmed reports, Pillsbury's stock price has bobbed from below $34 to more than $40. The company's stock was one of the most actively traded issues two weeks ago.

Pillsbury would not say what concerns are negotiating to buy Godfather's. Nor would it reveal the asking price.

Wall Street sources estimated that Godfather's, which is in the midst of a turnaround, would fetch $50 million to $100 million.

Wall Street observers said they did not know which concerns were interested in Godfather's. However, perhaps because Godfather's president Herman Cain has stated in past interviews that he someday hopes to own a restaurant business, unconfirmed reports of a management-led buyout have surfaced.

In confirming that it intended to sell Godfather's, ending months of speculation, Pillsbury also reportedly said for the first time that it would jettison weak units of the 200-unit Bennigan's chain. The company said early this year that Burger King and Steak and Ale would also be pruned.

For the third quarter ended Feb. 28, sales at Burger Kings open at least a year fell 2 percent from the results for the same period of the prior year. Steak and Ale and Bennigan's comparable-store sales fell 5 percent, the company said.

Overall, Pillsbury's restaurant group posted an operating loss of $113.1 million, which reflects a $144.2 million write-off for pending changes in the division.

PIllsbury reported a loss of $107.8 million for the quarter, compared with earnings of $48.5 million for the year-ago period, on revenues of $1.5 billion, down 2 percent.

# *Puck on an expansion drive*

## *Unites with Kuleto, Kimpton to open San Francisco unit*

SAN FRANCISCO — Renowned Los Angeles chef Wolfgang Puck has joined forces with San Francisco architect Pat Kuleto and hotelier Bill Kimpton to open a restaurant here.

The partners have targeted late 1988 as the opening date for the venture, which is to be housed in the renovated Cecil Hotel on Post Street. Kuleto said the restaurant would feature "four or five levels, open hotel-style kitchens, green house [areas], and outdoor gardens."

Kuleto also mentioned that the hotel might have "multiple food concepts," but he declined to comment further.

The trio would disclose neither the name of the restaurant nor the type of food it will feature.

## *Brewery-restaurant venture wins approval of city council*

Puck

LOS ANGELES — Despite the objections of a neighborhood group and a City Council environmental committee, chef Wolfgang Puck and his partners in a proposed brewery-restaurant here have won the full council's approval for a permit for the 214-seat operation.

Los Angeles Brewing Co. partners Andrew Hoffman, Jerry Goldstein, and Puck, owner of Spago and Chinois and Main restaurants here, are now raising the remaining 50 percent of their capital budget for the combined microbrewery and "beer cuisine" restaurant.

# Domino's strives to deliver service, not just fresh pizza

Just as I was about to write this week's column on the importance of service and morale to marketing, what looked like a Domino's pizza was delivered to my desk, personally, by the chief of our mail room. Here in Manhattan there are no Domino's pizza delivery outlets. The box was postmarked Ann Arbor, Mich. The man from the mailroom hovered

On Marketing

Marilyn Alva

around until I opened it just in case a "hot and fresh" pizza was inside.

It wasn't, of course, despite the unearthly propensities of the wizard Noid. Instead, a Domino's hot-off-the-press annual report was inside, along with a red, white, and blue puzzle that looked like a Domino's pizza box top. The annual report's title: "1987 was the year we worked hard to pull all the pieces together."

Those Domino's people know how to market themselves, not only to the general public but to the press and analysts as well. Annual reports, after all, are usually greeted with yawns or ignored. Yet from other parts of the office I heard comments about "pizza!" and "puzzle" as other editors opened their Domino's boxes as well. Last year the arrival of the fast feeder's annual report in the form of a grade school spiral loose-leaf notebook elicited similar interest.

I was going to explain how a chain can have the best marketing and advertising programs yet fail because of poor service, something that many restaurants are trying to improve through various motivation and morale programs. Then the Domino's report landed on my desk, reminding me how a chain like that, with a 30-minute delivery guarantee as the basis of its business concept, would be nowhere without good service and the employee morale necessary to achieve it.

Domino's has always been big on rousing its troops to frenzied states. Its training sessions are like high-school pep rallies.

In this new annual report, Domino's celebrates employees, who are featured throughout. Each is given space to comment on the delights of his or her job, from the receptionist at World Headquarters ("Occasionally someone will look at me and ask: 'OK. You like what you're doing. But what's your real ambition?' I tell them, this is it. I'm doing what I love.") to a franchisee in the field ("Even as a driver, I got caught up in the fun of it all . . . Customers want to buy pizza from happy, excited people.")

Yet chairman and founder Thomas S. Monaghan also took the occasion to bemoan one of the "big disappointments" of 1987, and that was the chain's failure to honor the 30-minute delivery guarantee 35 percent of the time, even though that was an improvement over the previous year. For Domino's, service *is* delivery, and Monaghan wrote that meeting the delivery guarantee time "'must be our biggest priority in 1988. Not fulfulling a promise is inexcusable."

Then Monaghan discussed controversial sidelines that he construes as promotional vehicles for Domino's as well as morale builders: the Detroit Tigers, the baseball team he owns; the final phases of the chain's "Prairie House" building; the future Domino's Towers, a New World version of the Leaning Tower of Pisa; and the chain's vast Frank Lloyd Wright Collection.

Expenditures for such projects have been criticized by some outsiders and insiders alike, who wonder what they might do to the bottom line.

But Monaghan remains committed. He said Domino's own Bugati Royale automobile, for example, quickly became the single-most-famous car in the world, thanks to publicity it generated at the Rose Bowl and on "The Johnny Carson Show." And he noted that Domino's Chistmas light display attracted more than half a million people to Domino's Farms.

*Those Domino's people know how to market themselves, not only to the general public but to the press and analysts as well.*

"And that doesn't include the approximately 9 million people who drove past it on US-23 and M-14," he further wrote. "There's no way they couldn't have noticed it."

As for a village improvement project in Central America, Monaghan said in his report, "I'm delighted at all the wonderful things Father Enrique is doing in Honduras with our financial backing."

It was a big year for Domino's. And for its founding chairman, who, according to the annual report, met the pope twice; became a grandfather for the first time; and celebrated his 25th wedding anniversary to Marge, who is pictured on the back inside cover, carrying a piece of the Domino's puzzle over a caption that says, "Chairman of the Chairman of the Board."

For his space in Domino's annual report, the Noid summed up the Monaghan school best: "If there's one thing I've learned from Tom Monaghan, it's optimism."

# Restaurant operators dive full speed into television advertising during '87

By Marilyn Alva

NEW YORK — Restaurant chains plunged more money than ever before into television advertising last year, for a record-breaking sum of more than $1.3 billion, according to a report by the Television Bureau of Advertising here.

Total expenditures by the chains were up 10 percent from the preceding-year figure, although some, such as Kentucky Fried Chicken, Red Lobster, and Sizzler, had increases of as much as 30 percent or more.

Ranking of the leading top 10 fast-food television advertisers remained the same, with McDonald's retaining a commanding lead over all the others. The fast-food giant spent $362,582,700 on network and spot television last year, up 8 percent from the 1986 figure.

In contrast, second-biggest spender Burger King spent only $162,709,800 in 1987, down 2 percent from the year-before figure.

Third-ranked KFC upped its television advertising last year by 38 percent, for a total of $110,056,100. Other large gains were posted by Taco Bell, up 25 percent; Red Lobster, up 30 percent; Hardee's, up 35 percent; Roy Rogers, up 33 percent; and Sizzler, up 34 percent.

Fourth-leading spender Wendy's spent 2 percent less for the year, for a total of $79,188,800. Pizza Hut, in fifth place, spent $77,546,500 in 1987, a 9-percent increase from the prior-year figure.

**LEADING TELEVISION ADVERTISERS**

| | 1987 Total ($ millions) | Annual % Change |
|---|---|---|
| TOTAL | $1,311.9 | 10 |
| McDonald's | 352.6 | 8 |
| Burger King | 162.7 | – 2 |
| Kentucky Fried Chicken | 110.1 | 38 |
| Wendy's | 79.2 | – 2 |
| Pizza Hut | 77.5 | 9 |
| Taco Bell | 62.5 | 25 |
| Red Lobster Inns | 47.8 | 30 |
| Domino's | 41.0 | 22 |
| Hardee's | 39.9 | 35 |
| Long John Silver's | 29.4 | 1 |
| Sizzler | 21.4 | 34 |
| Jack in the Box | 19.3 | 21 |
| Dairy Queen | 17.0 | 6 |
| Roy Rogers | 13.3 | 33 |
| Arby's | 13.0 | – 6 |

Source: Television Bureau of Advertising

*Total TV-advertising expenditures by chains were up 10 percent from the preceding year, although some had increases of as much as 30 percent or more.*

## NRN MARKETING DIGEST

### TCBY to launch national campaign

LITTLE ROCK, Ark. — TCBY, This Country's Best Yogurt, will launch its first national advertising television campaign in mid-April, sources at the frozen-yogurt chain said. The $8 million campaign by the Brooks Pollard agency here will feature TV personalities Ed McMahon and Willard Scott.

TCBY is the largest frozen-yogurt chain in the country, with more than 850 units in nearly every state. Previous spot television ads had featured Mickey Rooney under an umbrella "All the Pleasure. None of the Guilt" campaign.

### Denny's Inc. drops ad agency

LA MIRADA, Calif. — The new owners of Denny's Inc., TW Services Inc., let go the dinner-house chain's longtime advertising agency, Foote, Cone & Belding.

Sources report that the Denny's account may go to D'Arcy Masius Benton & Bowles, which has been working for Spartan Food Systems, a subsidiary of TW Services. Spartan is Hardee's largest franchisee. Foote, Cone & Belding recently introduced a new "On the Road" campaign for Denny's.

### Mazzio's hooks up with AHA

TULSA, Okla. — Mazzio's Pizza has introduced new print advertising tying in a "seal of approval" from the American Heart Association on select menu items.

The AHA approved Mazzio's cheese and vegetable pizzas, spaghetti, cheese lasagna, and salad bar items for appropriate nutrition, fat, and caloric content. Said Greg Lippert, vice president of marketing for the 280-unit Mazzio's, "This approval by the AHA shows Mazzio's Pizza fits into the nutrition plans of the consuming public."

### Study shows strategy for steak houses

AUSTIN, Texas — A consumer research study by Martin & Martin Information Consultants reported that the two most effective advertising messages for steak houses were related to "good health" and "need for play." Examples: "Great athletes recommend this place" and "have a great time eating here."

For dinner houses the two strongest ad messages were found to be based on "achievement" and "recognition." Examples: "Reward yourself for your achievements—eat here," and "people will really respect you for eating here."

# FOCUS | VIEWPOINT

## Decentralization: prexy must call shots

Gearing up for a rapid expansion that could add 1,300 units to its current 2,700 within four years, Taco Bell has just dropped its six regional offices in favor of three broad-based divisions. The dominant taco chain hopes to subtantially widen its vast lead and stretch its $1.5 billion annual sales to $4 billion through new units and a projected per-store average rise from the current $550,000 annual sales to $1 million. Inflation and new menu items would be the main instruments of such a phenomenal advance if it happens.

**Editor's Corner**

**Charles Bernstein**

By the end of this decade, each of the three divisions is targeted to represent $1 billion in sales, and each would be divided into 11 separate zones, revealed George Hellick, recently promoted from Denver regional vice president to administration vice president of the new Santa Ana, Calif.-based Western division. The other two new division offices of the Santa Ana-based chain are a Chicago-based Northern division and an Atlanta-based Southern division.

This move ostensibly is a consolidation of field controls, but with the addition of numerous zone and area managers it is designed to further decentralize Taco Bell's structure.

It is in line, under a somewhat different framework, with the continuing decentralization of Taco Bell's sister chains, Pizza Hut and KFC, under parent Pepsico. The philosophy is to put more overhead, money, and strength into the field, including the broadening of responsibilities all the way to the unit manager level.

Everything makes lots of sense. It transfers some of the overhead from headquarters to the field and creates minidivisional offices duplicating some of the headquarters titles, such as administration, operations, marketing, real estate, and human resources vice presidents. The net effect is far more flexibility for local decisions in the field and localized menu variations within reason.

"At headquarters we create expense, not profit," observes David Bennett, president of the vastly expanded Cleveland-based Morgan's Foods franchise company (70 KFCs and 11 newly acquired Sizzlers) and former Chicago regional vice president for Taco Bell. "Only in the field are profits truly created and made, and that's where the main responsibilities should be."

A decade ago the subject of centralization vs. decentralization was still being vigorously debated within Burger King and other chains. But today it seems almost indisputable that the only way to handle rapid growth is to disperse the controls, as McDonald's had proved long ago.

No longer can the top executives of major chains personally visit or supervise myriads of units in the field. Instead, they have to transfer the responsibilities to the field through regions or divisions.

The ultimate example of the process is seen at Columbus, Ohio-based White Castle, where one is hard-pressed to find any headquarters executives. That is because only president Bill Ingram and a few vice presidents are stationed at the main office. Almost all the other executives and managers head various regions and areas.

White Castle's power, so very much in evidence in the field, is virtually non-existent at headquarters—much to Ingram's credit. In many ways this is a perfect setup in contrast to the often ego-driven bureaucracies still existing at all too many headquarters, despite their having been decentralized. Certainly, White Castle remains successful in its individual way.

Yet one must ask whether the latest decentralization programs of Taco Bell and other chains are realities or optical illusions. While in talk and theory the power is in the field, in actuality the true authority in so many of these cases still resides with headquarters.

In Taco Bell's situation, the number of separate regional offices has in effect been cut in half. Perhaps this is more efficient overall and permits heavier strength to be focused on each of the new consolidated divisions. It also means that the divisional focus is farther away from many of the units than under the six-region plan, although now more zone managers supervise units.

Nor should the president ever cede too much authority to the field in any decentralization. In essence, the ultimate power and responsibility must remain with him no matter what form the field organization takes. He must keep his fingers on the pulse even if he is unable to visit all the units personally.

It is a great idea to give credit to field people when things go well for a chain, but it is even wiser to take the blame when things go badly, without trying to make scapegoats out of field people, as too often occurs.

While decentralization and maximum control down to the point of one area or field manager for each five or six units is a smart investment, the chief executive officer cannot afford to cede responsibility for the whole field operation. He must have faith in his field supervisors without letting the arrangement dominate headquarters.

The key to success in today's chain operations is the orchestration of a fine-tuned blend between the chief executive and headquarters executives on the one hand and the field organization on the other.

## LETTERS

### *Be it oil or food, both go better with good service*

Editor, NRN:

The Nov. 23 issue of Nation's Restaurant News featured an Editor's Corner column entitled "Lube lesson: Price is right only with extra service."

In that article you said that someone from our company (I'm not sure who) was reported to have said: "This really is the same as the fast-food business. Get the customers in and out fast, provide quick but adequate service, and you've got a winning formula." I find it difficult to believe a quote using the word "adequate" came from one of our people.

Certainly we are concerned about getting people in and out fast, but all of our people are told over and over again that we are in the service business, not the oil business. We believe that we are a cut above above the others in providing service in an industry that is very much caught up in the hustle that you refer to in your article.

Our service starts when a customer drives up and we greet him with a complimentary copy of a USA Today newspaper. The copy has a label affixed to it, just as complimentary newspapers at many of the better hotels do, indicating that it is "Compliments of Oil Can Henry's." We also present the customer with a menu of our services and an indication of how long the wait will be, if there is any.

Furthermore, our oil change service includes a 20-point service check in which we check everything—the brake fluid, battery fluid, windshield washer fluid, transmission, power steering, lights, turn indicators, tire air pressure, and more. I am certain you will not find a more thorough check and service with an oil change anywhere else in the country.

In addition, our customers wait in their own cars as the service is being performed and are able to watch the service both underneath the car and underneath the hood by closed circuit TV monitors.

Yes, we have hired a number of former fast-food executives, and the reason they have joined us is that they believe that our service is unique to the industry and in line with their earlier training in the food-service business.

I agree with the theme of your article entirely. It is not hustle, it is not price, but service that the customer wants whether he is seeking food or oil changes. The customer of today wants service.

**—Marshall A. Stevens**
*president*
Oil Can Henry's Corp.
Portland, Ore.

### *Rally's president shares thoughts on Hardee's*

Editor, NRN:

Your Dec. 14 Focus section on Hardee's was excellent.

I began my fast-food career at Hardee's and for more than a decade had the privilege of being one of the people to whom Hardee's chairman, Jack Laughery, was mentor. It was a rich, rewarding, and enjoyable experience that has aided me immeasurably over the years.

The only short suits I ever knew Jack to have were the ones in his closet before he started having his suits made.

Although we haven't worked together for the past four years, I think of Jack's point of view often in my daily decision making and value our years together.

**—Richard F. Sherman**
*president, ceo*
Rally's Inc.
Louisville, Ky.

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NEWSPAPER

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**Step through McD's arches to . . . Italy?**

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# Top chains hit the brakes

## *Execs curb building plans to focus on operations*

By Rick Van Warner

With the nation crammed with restaurants, expansion is screeching to a crawl as major operators slash new-unit plans and instead nurture existing operations.

"I don't think there's a need in America for any more restaurants to be built," said David Bamberger, chairman of Church's.

"There's enough of them out there," he explained.

"The industry is physically overbuilt," said Vicorp president Robert Benson. "Our focus will be on maximizing the profit potential of the units we have."

Wendy's, Vicorp, TGI Friday's, Church's, and Friendly are among companies that are scaling back expansion as they focus on back-to-basic drives to improve operations.

But Shoney's Inc. offered the most dramatic comment on the topic at the recent Montgomery Securities Restaurant and Lodging Conference in New York.

Shoney's, one of the industry's most consistent performers over the years,

*(See **MONTGOMERY**, page 120)*

**News Digest: Montgomery Securities conference**

Jack in the Box tests new products

Pizza Hut to roll hand-tossed pie

Shoney's fuels sales with fish

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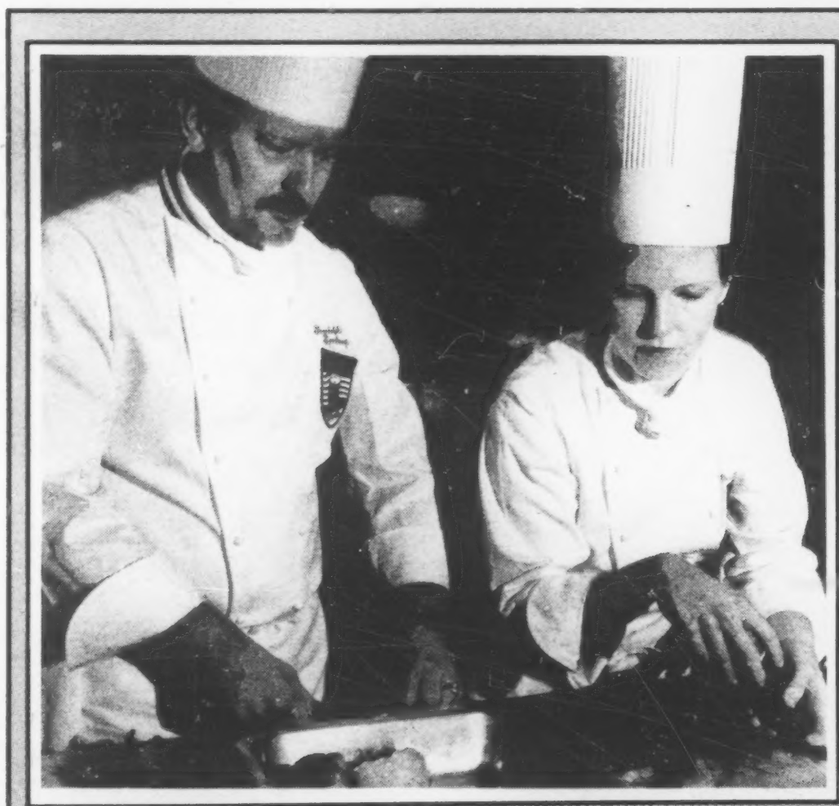

NRN Photo

**Rudolph Speckamp and Carolyn Claycomb, members of the U.S. Culinary Team that spoke at the Monterey Wine Festival, prep peppers for the festival's luncheon.**

## *Culinary team targets trends at Monterey fest*

By Alan Liddle

MONTEREY, Calif. — "Tonight only—a free selection from our hedonistic triple-chocolate-everything pastry cart with each purchase of a mountain-sized portion of blackened redfish with mango beurre blanc."

While such a promotion probably exists somewhere in the fad-driven food-service industry, it won't be found in the establishments of the five U.S. Culinary Team members who attended the annual Monterey Wine Festival. The culinary Olympians addressed "New Foods, New Fads," and among the trends they noted:

• Smaller tapaslike portions of "lighter" or lower-cholesterol food will continue to be appealing. Value must be part

*(See **CULINARY**, page 4)*

# Caesars takes up arms

## *Pizza Hut, Domino's face new Pan Pan Pizza*

By Marilyn Alva

FARMINGTON HILLS, Mich. — Armed with classy new advertising from the authors of Wendy's "Where's the Beef?" campaign, Little Caesars is poising itself for a nationwide assault bound to quicken heartbeats at Pizza Hut and Domino's.

Among the new television commercials from Cliff Freeman & Partners in New York will be some introducing consumers to Little Caesars' new Pan Pan Pizza. It was designed to compete head-on with Pizza Hut's flagship Pan Pizza product, which was rolled out in 1981 and is the chain's biggest-selling item.

Meanwhile, Little Caesars is planning to go on network television for the first time, during the fourth quarter of this year.

The move would double its current advertising budget and move the carry-out-only

*(See **CAESARS**, page 120)*

# Pay-hike backers assail predictions of wide job losses

By Deane Evans

WASHINGTON — Challenging earlier testimony that a hike in the federal minimum wage would result in the loss of more than 500,000 jobs, a group of liberal economists told Congress that the proposed wage floor boost would actually cause minimal job losses for U.S. workers.

The claim that a minimum-wage raise would not eliminate significant numbers of jobs came under immediate fire from Richard Berman, chairman of the Minimum Wage Coalition to Save Jobs. He charged that studies cited by the pro-minimum-wage economists were "tainted" by preconceived ideas.

In a letter to James M. Jeffords, R-Vt., chairman of the House Education and Labor committee, 57 leading economists from U.S. universities and economic "think tanks" joined the Citizens Committee for a Just Minimum Wage in asking for passage of the Minimum Wage Restoration Act.

As currently amended, the House measure

*(See **MINIMUM**, page 120)*

**FOOD WATCH**

## *Collards go* haute

ATLANTA — Collard greens and turnip greens, slow-simmered vegetable staples of the Deep South, are growing in diversity and popularity at non-traditional Southern restaurants. Collards, a variety of kale, and turnip greens, which belong to the mustard family, have been called "the spinach of Dixie."

At Trio, the newest member of the Atlanta-based Peasant Restaurant Group, collard greens in lemon sauté are a bold break from the customary preparation, which normally calls for hours of slow cooking with spices and regional ingredients, such as honey and ham hocks.

"We thought it was kind of gutsy mixing collards in the avant garde [style]," said Peasant food development director Elise Griffin.

On a menu that features scrambled tofu and Cheddar cheese grits, Liberty House Inc.'s upscale roadhouse concept, OK Cafe, is keeping vegetable tradition alive with turnip greens and potlikker, their vitamin-rich, simmering juice. The general manager, Ed Udoff, called it one of OK's most popular vegetables.

—Jack Hayes

CHARLES BERNSTEIN: LABOR CRISIS IN CHICAGO—PAGE F3

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Vol. 21, No. 15 April 11, 1988


## NEWS DIGEST

# Leroy hires '21' chef to replace Casey at Plum

NEW YORK — Impresario Warner LeRoy has hired Geoffrey Zakarian, chef de cuisine at The "21" Club, to replace Kathy Casey in the kitchen at Maxwell's Plum, the well-known Upper East Side American bistro.

Zakarian, a French-trained chef who has also worked at Le Cirque, had been at "21" since it reopened a year ago.

Casey, 26, lasted only three weeks at the 350-seat Maxwell's. LeRoy was reportedly paying her more than $100,000 a year to revamp the menu and oversee the kitchen at his glitzy First Avenue haunt. One of his demands was that the new menu include burgers—an order that didn't thrill the trendy young chef.

Casey established her reputation as an important American chef at the tiny Fuller's in Seattle.

# Kettle's board recommends acceptance of Rocyn's bid

HOUSTON — The board of Kettle Restaurants, the 200-unit family restaurant chain, has advised shareholders to accept an $8-per-share acquisition bid from Rocyn Corp. if the intended buyer upholds its promise and slightly amends the offer.

The board has asked Rocyn to guarantee that it will buy all shares tendered by a yet-to-be-determined deadline. The request, which Rocyn has said it would honor in an amendment to its bid, would prevent the company from shelving its $17.5 million offer if the chances of a takeover suddenly dimmed.

# Friendly prepares rollout of new dinner offerings

WILBRAHAM, Mass. — Striving to boost evening traffic, Friendly Ice Cream Corp. is preparing to roll out a line of complete dinners and has expanded a test of pasta entrées.

Under the new dinner program, the 850-unit family restaurant chain will offer items ranging from fried shrimp to grilled chicken. The entrées will be served with a salad, a vegetable, and an ice cream sundae.

Meanwhile, a test of pasta dinners has been expanded to 15 stores in Rochester, N.Y. Ranging from $3.50 à la carte to $4.99 for a complete meal, pasta selections include chicken cacciatore, fettuccine Alfredo, beef Stroganoff, and spaghetti with meat sauce.

# Campbell sells Pietro's to new Philadelphia group

CAMDEN, N.J. — Campbell Soup Co. has sold its Pietro's pizza chain for an undisclosed cash amount to a new corporation formed by Dimeling, Schriber & Dalglish of Philadelphia.

Lynwood, Wash.-based Pietro's, a Campbell holding since 1973, operates 65 pizza restaurants in the Northwest.

# Yugoslavia calls in cops to monitor Big Mac attack

BELGRADE, Yugoslavia — Police were summoned to quell the mobs of comrades who converged here recently for their first taste of a Big Mac, according to news reports.

That symbol of American capitalism proved a phenomenally hot seller at a new McDonald's here—the first ever opened in the Communist Bloc. The restaurant is a joint venture of McDonald's and Genex, a government-run concern.

Curious Yugoslavs reportedly waited in line for hours to sample the restaurant's American specialties.

# Callender opens 'satellites,' eyes freestanding kiosks

LONG BEACH, Calif. — Stepping up a program of opening "satellite" units, the Marie Callender coffee shop chain has opened its third downscaled mall outlet and is contemplating the development of freestanding kiosks.

Occupying between 1,000 square feet and 3,000 square feet, each mall satellite offers a limited menu of salads, sandwiches, pot pies, quiches, pies, and tarts.

The offerings are prepared in nearby full-sized Callender units, with only the final baking done in the satellites.

The 140-unit chain, which is operated by Phoenix, Ariz.-based Ramada Inc., said it might open five more mall satellites this year as well as one or two freestanding remote units.

# Sonic Drive-Ins tests 5-minute service guarantee

OKLAHOMA CITY — Sonic Drive-Ins, a 1,000-unit chain of 1950s-style drive-in hamburger outlets, is testing a five-minute service guarantee in 23 units in Austin, Texas.

"We're shooting for four minutes, but we're not advertising that yet," said Vern Stewart, executive vice president.

# Morton offspring follow in Dad's food-service footsteps

CHICAGO — A second generation of Mortons will attempt to leave its stamp on this city's dining scene when Amy and Michael Morton, the offspring of well-known operator Arnie Morton, open their first restaurant this spring.

The cafe will be located at the former site of Arnie's Cafe, which has been owned by Arnie Morton for the last 14 years.

"Everything will be under $8.95," said Amy Morton, who expects the cafe to remain a choice location for people watching. Arnie Morton sold all but three of his other Morton's steak houses to an investment group several months ago.

# *NRA musters 15,000 restaurateurs for last-ditch lobbying blitz in D.C.*

WASHINGTON — In a last-ditch effort to thwart an increase in the minimum wage, the National Restaurant Association has asked 15,000 restaurateurs to convene here April 19 for a lobbying session with their respective congressmen.

Prospective participants in the "March on Washington" are also being asked to lobby for an increase in the so-called tip credit, which allows food-service employers to count tips as part of servers' pay.

Increasing the credit to 100 percent would soften the margin-crushing impact of new regulations requiring operators to pay Social Security on both tips and wages.

The march is scheduled to coincide with the House of Representatives' vote on H.R. 1834, which seeks to raise the wage floor to $5.05 from the current $3.35 by 1991.

"An increase in the minimum wage will force business owners to reduce employee hours, streamline positions, and freeze new hires," said Michael J. Grisanti, president of the NRA and the Grisanti's Italian dinner house chain.

Financial analysts have warned that a 15-percent rise in the minimum wage would require restaurants to raise menu prices by at least 4 percent to protect profit margins. The House proposal calls for a 50-percent hike.

The restaurant industry has been unable in past attempts to block a federal wage hike. Leaders blame apathy at the grass-roots level for the food industry's repeated defeats.

# Campbell shuffles S&A marketing staff

## *Castaldo chosen to spearhead new tactics*

**By Peter J. Romeo**

DALLAS — A week after axing Burger King's marketing and advertising chiefs, J. Jeffrey Campbell, chairman of Pillsbury's wheezing restaurant group, has restructured the marketing staff of S&A Restaurant Corp. in a bid to patch up that subsidiary.

Scrapping a "concept management" approach whereby S&A's two core chains, Steak and Ale and Bennigan's, each had their own marketing chief, Campbell consolidated all marketing functions under one senior vice president.

Nick Castaldo, previously vice president of marketing for Steak and Ale and a former Campbell protégé, was tapped to assume that newly created post.

Scott Burcham, formerly Castaldo's counterpart at Bennigan's, has left S&A and joined Popeyes Famous Fried Chicken as senior vice president of strategic marketing.

Neither Castaldo nor Burcham's previous positions will be filled, according to Lane Cardwell, S&A's senior vice president of strategic planning. The duties they formerly shouldered will be split between Castaldo and the two chains' respective directors of marketing, who report to Castaldo.

"Nick had demonstrated an ability to handle more than one chain, and we thought we could realize some synergies this way," Cardwell said. He added that Burcham's resignation "cleared the way" for S&A to make the change.

Under Pillsbury's plan to revitalize its restaurants, the Bennigan's and Steak and Ale chains will shrink as ailing restaurants are jettisoned. The systems currently encompass 375 dinner houses in 32 states.

Exactly seven days before Castaldo was given his new job, Campbell relieved Burger King's top three marketing executives of their duties. Tony Lavely, president of Pillsbury's Quik Wok Chinese fast-food chain and another former lieutenant of Campbell's, was tapped to rebuild the fast feeder's marketing department.

Burger King said the changes were made "to move topline sales."

On the day preceding the shakeup, Pillsbury disclosed plans to sell its Godfather's Pizza chain and further streamline Burger King, Steak and Ale, and Bennigan's.

All of the moves have been viewed as initial steps in Pillsbury's program to resuscitate its restaurant group, which posted an operating loss of $113.1 million for the third quarter ended Feb. 29. That compares with an operating income of $44.1 million for the same period of the prior fiscal year.

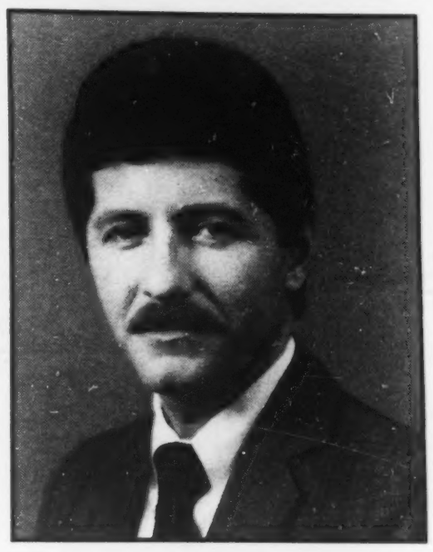
Restaurant revenues for the most recent period were $622.5 million, a 6.4-percent decline from the prior-year results.

It was Campbell who appointed Lavely president of Quik Wok, which at the time functioned as a subsidiary of Burger King.

Castaldo also worked with Campbell at Burger King, rising to vice president of advertising and promotions while the chain's highly successful "Battle of the Burgers" marketing campaign buoyed Campbell's career.

Castaldo, age 36, was the creator of Steak and Ale's current "Legend in Steak" marketing campaign, which strives to regain patrons who were driven away by the chain's ill-conceived attempt to reposition itself as a hip place to dine.

"We're recapturing a strong foundation of our business," Castaldo said when the $10 million Legend campaign was launched last October. "Steak and Ale has a core group of loyal customers who account for over 80 percent of our business. One reason why we're not seeing them as much as we'd like is we've lost our focus."



**Nick Castaldo**

During Burcham's reign as vice president of marketing, Bennigan's sought to reposition itself as a restaurant featuring a wide array of trendy fare, in contrast to its previous image as a bar that served burgers, finger foods, and other pedestrian fare.

Before joining S&A in 1986 as Steak and Ale's vice president of marketing, Castaldo held the same position at Citicorp Savings Bank of Florida.

# Diners' top beef: faulty service

**By Marilyn Alva**

Eating out in a restaurant is supposed to be an uplifting occasion, but for many a diner it provides more reason for staying home, according to a new Nation's Restaurant News survey.

NRN SRI Poll

The latest NRN/SRI Poll finds that customers have a host of gripes about eating out in restaurants, ranging from slow service to hair in the food or ugly uniforms.

Faulty service, however, was cited as the biggest peeve among a random sampling of American consumers in a survey conducted by SRI Research Center Inc. in Lincoln, Neb.

Questioned on their pet peeves on eating out in restaurants, 15 percent said "slow service," 5 percent answered "poor service," and another 5 percent cited "surly waiters and waitresses."

**Top 10 Pet Peeves**

1. Slow service
2. Too expensive
3. Poor service
4. Surly waiters/waitresses
5. Smokers
6. Bad tasting
7. Served cold
8. General unsanitary conditions
9. Children
10. Too noisy

Source: NRN/SRI Poll; SRI Research Center, Lincoln, Neb.

Smaller numbers recalled "intrusive" service and the wait help as being either "too personal" or not attentive enough.

Other aspects of the restaurant experience that irritated respondents were high prices and smoking, followed by bad-tasting food and cold meals.

Some 1,000 consumers over 18 were contacted by telephone during February and asked, "What is your pet peeve about eating out in restaurants?"

While service topped the complaint list, followed by smoking and food, the people SRI contacted had a number of other gripes about eating out in restaurants.

For example, 17 of the respondents said they were bothered by children. Another 13 didn't like the crowds, while still another 13 cited dirty tables and utensils.

A handful held general grudges such as "the other diners" and "other people watching me eat" while another handful cited "afraid of AIDS" and "not enough food."

Twenty-five people said they were distressed by "general unsanitary conditions," while one respondent's pet peeve was "handling money at the table."

# Operators call smoking ban a drag

**By Joe Edwards**

NEW YORK — One of the nation's toughest antismoking laws went into effect here on April 4, and restaurateurs are fuming.

Restaurants with more than 50 indoor dining-room seats must set aside at least half those seats for non-smokers, according to the new law, which covers most of the city's 16,000 restaurants.

"Restaurateurs are going crazy," said Cynthia Darrison, executive director of the Restaurant League of New York, a collective bargaining unit for 23 tablecloth restaurants in Manhattan. "They're pulling their hair out on this. They're suffering tremendous angst."

Jacki Norden of Fraunces Tavern, a landmark restaurant in the financial district, said her several dining rooms have been split about evenly for smokers and non-smokers.

"We're doing things according to Hoyle," Norden said. "It's going to be very interesting." She was worried, however, about regular customers, whose favorite tables may now be in sections they don't want, such as one smoker who eats lunch at Fraunces five days a week and whose favorite table is now in a no-smoking area.

However, she added: "This is a service business. If someone doesn't like a table, we'll bend over backward to make them happy."

Nick Williams, co-owner of Morgan Williams at 55 Broadway, said he and his partners had been wrestling with the question, Who do we want to punish—smokers or non-smokers? Since less than half his clientele smokes, Williams said, "Smokers will be banished to the rear dining room."

At Amsterdam's Rotisserie on the Upper West Side, most of the main dining room's 80 seats are in the no-smoking area. The front bar section has been designated as the smoking section, a representative said.

The New York smoking bill was passed by the City Council in December. In addition to mandating no-smoking sections in restaurants, the law requires restaurateurs to post signs identifying smoking and no-smoking sections.

Restaurateurs must ask customers whether they want smoking or no-smoking seats when they call for reservations.

Restaurateurs who do not comply with the law can be fined $100 for a first or second offense and $500 for a third offense. Individuals who light up in no-smoking sections can be fined $50.

# *Luby's take-out test takes off in Houston*

**By Karen Bruno**

SAN ANTONIO, Texas — In an attempt to broaden a sagging customer base, Luby's Cafeterias has expanded its take-out program to all 27 units in the Houston market after a successful six-month test.

Dubbed "Good Food to Go," the take-out program has increased per-unit sales volumes 5 percent, primarily through telephone orders.

"We anticipate we will enjoy a nice increase in this percentage," said William Robson, senior vice president of operations development for Luby's. The 109-unit chain operates primarily in the hard-hit Oil Patch state of Texas.

Cafeteria chains such as Luby's have not traditionally promoted take-out food, although Morrison's Cafeterias was the first to consider it seriously. But with supermarkets and traditional restaurants entering the niche, operators in this mature segment are taking a harder look at take-out as a source of additional revenue.

Luby's may reap the added benefit of lowering the average age of its customer closer to that of the fastest-swelling demographic group—the aging baby boomer.

"The decline in the dinner daypart in traditional restaurants is a key to the decision by cafeterias to promote food-to-go," said John Hunt, a research analyst at Smith Barney, Harris Upham & Co. in New York.

"The technology for take-out is improving drastically every day," Hunt said. "It's new territory for them, but I think they'll be able to build this niche."

Hunt added that the average drive-thru or take-out check is "not drastically different" from that of a cafeteria, which suggests "a favorable price-value story."

After positive results from Luby's test of take-out in the Houston Medical Center unit, which opened Sept. 9, company officials decided to proceed cautiously. "Food to go is running at 10.5 percent of total sales in the Medical Center unit," Robson said. "That number was key for us."

Take-out sales at these units were running 2 percent to 3 percent above the regular rate, which was attributable to passing out menus in selected locations and adding menus to take-out orders. An in-house promotional campaign involving posters and table cards kicked in March 22 was "too early for results to be in," Robson said.

One new unit scheduled to open by summer will include a separate entrance for take-out, Robson said. "We're contemplating adding three more units in the Houston area with separate entrances," he said.

Luby's program requires an outlay of about $10,000 per store for training, additional telephone lines, and promotional material.

**Luby's Cafeterias Inc.**

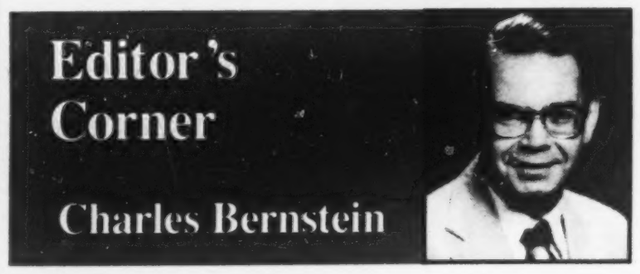
**Chief executive:** John B. Lahourcade
**No. of units:** 109
**Average check:** $4.48
**Sales growth:** 13 percent per year
**Average sales per unit:** $2.38 million
**Food costs:** 27.4%
**Labor costs:** 26.2%

# FOCUS | VIEWPOINT

## Insensitivity: labor crisis in Chicago

The nub of the restaurant industry is personal service, helping the customer, going the extra mile, exercising judgment and flexibility in critical situations. Right?

Wrong, according to Cafe Volare of Midway Airport, Chicago. Nobody gets a free meal here, not even the mayor of Chicago. Nor, it seems, would the president of the United States.




On balance people want to pay for food they consume and don't really expect freebies—or shouldn't. Then what is all the flap about in this case?

Simply that a pervasive callousness is evident toward employees who do exercise judgment beyond the strict rule book and who do seek to serve the public and help customers. This is true not only at the celebrated Cafe Volare but also at all too many restaurants of all types.

Eugene Sawyer, a longtime Chicago councilman who was voted mayor by a split City Council in a bitter political battle after Mayor Harold Washington died of a heart attack four months ago, happened to be waiting in the Midway Airport lounge while a snowstorm delayed his flight to Alabama, where he had a speaking engagement.

Sawyer gave one of his security guards $10 to pay for a sandwich in the airport. The guard went to Cafe Volare there and asked for a roast beef sandwich, indicating that he would pay the $4.95 cost.

Enter Michael Bueschel, a 23-year-old college student, Army Reserve sergeant, and six-month $5-an-hour employee at the airport's Cafe Volare restaurant. Bueschel sized up the situation, seized the initiative, and decided it would be silly to charge the mayor for a sandwich.

Bueschel knew instinctively that $4.95 was not going to ruin the restaurant's bottom line and that his deed could only generate a favorable public reaction.

He told the security guard that the sandwich would be on the house and enclosed the food in a box with this note: "Hello, Mr. Mayor, keep up the good work. Compliments of Cafe Volare."

Bueschel seemed to have done the smart thing. After all, policemen are routinely given free coffee, doughnuts, and sandwiches, fostering good feelings all around and not really hurting anyone.

If policemen could receive freebies, then the mayor—who never even asked or sought such an arrangement—certainly could. Or so thought Bueschel.

In fact, the mayor was so pleased with the sandwich and the note that he came by and shook hands with Bueschel. "Thanks for the sandwich," Sawyer told Bueschel. "It was very good, and I appreciate it."

Mayor Sawyer later said he was especially pleased that "a young white kid from the South Side would offer a black mayor a sandwich without thinking in terms of race."

Incredibly, that "young white kid" who showed mature judgment was very quickly out of a job. He was fired the next day because of the free sandwich.

A supervisor at Cafe Volare explained that the restaurant had an absolute policy barring any free food without management approval. "It wouldn't be fair to violate this policy for the mayor or for any employee," he said. "Employees previously have been fired for stealing or giving away food without approval."

One infers that in the mayor's case there was no prior approval because there is only one Chicago mayor and it was an unforeseen situation, while in the policemen's case there is blanket approval.

One also can conclude that the mayor would not have stood around endlessly (even while wanting to pay for the sandwich) if Bueschel had to wait for approval from managers who might not have been immediately available.

But the bottom line is that Bueschel's handling of the situation was brilliant, while the restaurant blundered in firing him.

Sure enough, after the adverse publicity that quickly followed the firing, Bueschel was offered his old job again. To his credit, he declined and said he would seek other opportunities.

The mayor, city officials, and other businesses and restaurants were trying to help Bueschel and possibly hire him.

Nobody really has to worry about the future of this enterprising young man, but we do have to be concerned about an industry where such appalling indifference to the most innovative employees can occur.

It is one explanation of how and why food service faces a critical labor shortage, why it is having trouble attracting bright young people. Yes, the population is "aging" gradually. But when we see situations like this, we know the problem goes well beyond demographics.

Once again, true hospitality means showing consideration and appreciation for employees. They should be rewarded for enterprising, positive actions and not reprimanded or fired because of an unbending rule book and insensitive supervisors.

## LETTERS

### *Miami Radisson workers step beyond call of duty*

Editor, NRN:

For 20 years I have been reading your excellent publication. Every few issues there is a story, an editorial, or a letter to the editor about service in hotels and restaurants. Some of it is good, but most of it relates to the poor service that the industry is giving to its guests. One of the strongest editorials you wrote about poor service occurred in a hotel about a year ago.

I would like to use your newspaper to publicly commend the Miami Florida Radisson Hotel on excellent service. Actually, it was more than excellent service, it was a caring telephone operator who turned a tragic situation into a manageable one.

On Feb. 14, my family was leaving the Radisson to fly to San Juan for a weeks cruise on The Song of Norway. That morning my father suffered a fatal heart attack in upstate New York. My sister called the hotel, explained the situation and the sympathetic telephone operator, Tanya, told her she would ring my room and if no one answered she would get back to her.

When no one answered, Tanya checked to see if I had checked out. She not only checked to see if I had left, but asked my sister for a description of me so she could locate me in the hotel. But we had already boarded the bus that would take us to the airport. At this point Tanya could have said, "he has left," and done nothing else.

But she took the time to assure my sister that everything would be OK. She told her that she would get in touch with me and would not let me board the plane. The amazing thing was that Tanya had to locate me from the many guests that were leaving on Royal Carribbean ships—all going to a different destination. I can only surmise that she or someone else at Radisson spent a frantic hour determining what plane I would be boarding.

Ten minutes before I was to board the plane, I received a page at the Eastern Airlines terminal. The Radisson had found me. They gave me the message and I was able to return home.

This was the first time I had the opportunity to stay at a Radisson hotel. I was most impressed with the service in the dining room and of the entire operation. As a matter of fact, I had just complimented Mr. Phillip Rucchi, the restaurant manager, on the great job that his staff was doing in the restaurant.

The rooms have a guest comment card to evaluate the "Yes I Can!" attitude of their staff. If Tanya and Phillip are representative of their commitment to the guests, they certainly live up to the motto.

Obviously, I will stay at Radissons whenever I travel. Hopefully, the hospitality industry will continue to attract people who are as concerned and committed as the staff at the Miami Radisson.

**—Anthony J. Strianese**
*professor*
Schenectady County Community College
Schenectady, N.Y.

### *College service discovers success in pages of NRN*

Editor, NRN:

Nation's Restaurant News not only carries "news" but also some of the best advice!

Herman Zaccarelli's article applying "A guest relations attitude to total management style," has been produced here at Lenoir-Rhyne College Dining Service and is in the hands of each management person.

Our thanks to you and our thanks to Mr. Zaccarelli.

**—Keith Hazeltine**
Lenoir-Rhyne College
Hickory, N.C.

**More letters appear on page F9**

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NEWSPAPER

**La Dolce Vita for Italian fare**

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**No subway adoption for Ben & Jerry's**

On Marketing/Page 12


Nation's Restaurant News®

*The Weekly Newspaper of the Food-Service Industry*

Vol. 22, No. 16 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $26.50 a year | April 18, 1988


# Menu prices creep upward

## *Big worry: Will consumers balk?*

**By Peter J. Romeo**

Bruised by escalating food and labor costs, a number of restaurants are nudging menu prices upward despite troubling uncertainties about how patrons will react in a time of slow inflation.

"That is a real concern," said Norman Brinker, chairman of Chili's, the dinner house chain about to post new price points for the second time this year.

The price hikes have thus far been moderate, amounting in most instances to between 1 percent and 4 percent. Like Chili's, such chains as McDonald's, Shoney's, Village Inn, and Bakers Square have found those increments to be sufficient in offsetting higher commodity prices and new margin-eating employment regulations.

But many industry experts assert that creeping commodity prices and government-dictated increases in compensation costs will pressure many chains to jack up prices again and perhaps more sharply than they have in years.

"This year may see the larg-

*(See **CHAINS**, page 11)*

**MENU PRICES CREEP UPWARD**

*(Percentage price change, date)*

| | | |
|---|---|---|
| McDonald's | 2.53 | March |
| Chili's | 1.25 | Jan. |
| Chili's | 1.25 | April |
| Village Inn | 1.90 | Feb. |
| Bakers Square | 1.90 | Feb. |
| Pancho's | 10.00 | March |

Source: *NRN* research

## *Hudson's rocks 'n' rolls with punches*

**The '50s-style counter at Hudson's Grill in Ventura, Calif.**

**By Richard Martin**

VENTURA, Calif. — While selling a quick, casual, full-service "flirt with the '50s" ambience, the seven-unit Hudson's Grill burger specialty chain is also offering a lesson in back-to-basics effectiveness and futuristic flexibility.

Largely by narrowing its menu focus, suppressing menu price inflation, and speeding service, the Southern California outfit has boosted sales in its restaurants from 22 percent to 40 percent in the last 18 months, according to Davis Beckham, operations vice

*(See **HUDSON'S**, page 102)*

# BK ad blitz bombs

## *Adtrack: Awareness down*

**By Marilyn Alva**

LINCOLN, Neb. — After Burger King blitzed the television airwaves with expensive new flame-broiling commercials, consumer awareness levels for the hamburger chain's advertising did what they shouldn't have done. They dropped.

NRN Adtrack

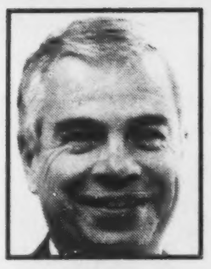
According to the March NRN Adtrack poll, Burger King's advertising awareness level among Americans declined one percentage point at a time when it should have jumped dramatically because of what should have been the dynamics of a fresh new advertising campaign.

New television spots from N.W. Ayer Inc. in New York, with the "We Do It Like You'd Do It" backyard barbecue theme, began airing on network television at the end of February, five months after Burger King announced it would drop longtime ad shop J. Walter Thompson.

The decision to go with a new advertising agency was intended to help bring business back to life at Burger King, where sales have been flat since the mid-1980s.

*(See **BURGER KING**, page 102)*

# Doherty named NRN publisher



**Doherty**

NEW YORK — James C. Doherty, a General Mills retail and food-service executive for 14 years and later chief executive of A & W Restaurants and of Acapulco Restaurants, has been named publisher of Nation's Restaurant News.

"NRN will be enriched under Jim Doherty's leadership," declared J. Roger Friedman, president of parent Lebhar-Friedman Inc. "His wide background in food-service marketing and restaurant operations will further enhance both our editorial and sales staffs."

Reporting to Doherty will be Charles Bernstein, NRN's chief editor, and Martin J. Feldman, national sales manager.

Doherty succeeds Arthur L. Anderman, who now is executive vice president of Cahners Publishing Co.'s new entertainment division (Variety newspapers).

"Nation's Restaurant News is the first-read and the best-read newspaper in the industry," Doherty said. "I

*(See **DOHERTY**, page 102)*

**FOOD WATCH**

## *Fit for a king: Urchin roe soufflé*

NEW YORK — Sea urchin, hardly a best-selling menu item, was the main ingredient of a frozen dish presented recently at a wine industry promotion at The Pierre Hotel here.

Chef Jean-Georges Vongerichten of Restaurant Lafayette at the Drake Hotel prepared a soufflé of sea urchin roe, which was served in the outer shell of the urchin after its needles had been trimmed.

"We're not planning to put it on our regular menu," said Marcel Pitton, food and beverage manager of the Drake Hotel, which owns Restaurant Lafayette. "It has an intense fishy taste, which not all of our customers would like."

This version of a sea urchin roe soufflé was first served in Bangkok for a royal banquet honoring the king of Thailand. Chef Louis Outhier, executive chef of the Drake, and Vongerichten prepared the specialty.

—Karen Bruno

CHARLES BERNSTEIN ON SANITATION RESPONSIBILITIES—PAGE F3

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Vol. 21, No. 16 April 18, 1988

## NEWS DIGEST

# Burger King dusts off 'Battle of the Burgers'

MIAMI — Burger King has resurrected its "Battle of the Burgers" advertising strategy in new 30-second television commercials citing taste tests in which the ailing giant's signature Whopper sandwich beat McDonald's Big Mac.

The move comes at a time of turmoil within Burger King's marketing department. In addition, research conducted for Nation's Restaurant News revealed that consumer awareness of Burger King has dropped since the introduction of the chain's new "We do it like you'd do it" advertising campaign.

The "Battle of the Burgers" advertising campaign beefed up Burger King's sales in the early 1980s.

# Spurned bidder files suit vs. Shoney's South, TPI

MEMPHIS, Tenn. — A spurned bidder for Shoney's South has filed a lawsuit against the Shoney's franchisee and certain officers for allegedly violating a contract that called for Shoney's South to be sold to the plaintiff, Knoll Capital Management.

Also named as a defendant in the suit, which seeks damages of $3.5 million, is TPI Enterprises, the holding company that has penned an agreement to acquire Shoney's South for $123 million or $18.25 a share.

Knoll alleges that Shoney's South had accepted an unspecified offer from Knoll before entering into the deal with TPI.

# Staley Continental braces against Tate & Lyle bid

CHICAGO — Staley Continental, the huge corn syrup sweetener and food-service supplier, was poised last week to resist a takeover bid by British tea and sugar conglomerate Tate & Lyle, which launched a $1 billion-plus offer at $32 a share. The stock immediately climbed toward $40 a share.

"Tate & Lyle is mainly interested in Staley's corn-refining operations and plans to reduce the net cost of the deal by selling off Staley's attractive food-service business," reported Standard & Poor's, the financial services concern. It also suggested that Staley would mount "an aggressive defense."

Tate & Lyle indicated it planned to sell Staley's CFS Continental food-service distribution division. Staley acquired CFS Continental from Alvin and Robert Cohn three and one-half years ago and recently reorganized the executive staff.

# Morrison sells distributor subsidiary to PYA|Monarch

MOBILE, Ala. — Morrison Inc., operator of the nation's largest chain of cafeterias, has agreed to sell its Morco Industries distribution division to PYA/Monarch, the food-service distributor owned by Sara Lee.

At the same time Morrison said it entered into a long-term supply agreement with PYA/Monarch. The terms were not disclosed.

"We grew beyond the distribution system currently in place," said a Morrison company spokesman. The company has recently expanded its contract-feeding business westward through the acquisition of Dobbs Food Service Management.

Morco's distribution facilities are located in Tampa, Fla.; Atlanta, Ga.; and Jackson, Miss.

# Disney shelves plans for Calif. entertainment area

BURBANK, Calif. — Walt Disney Co. has shelved plans to transform MGM studios here into an entertainment complex featuring themed restaurants, nightclubs, hotels, movie theaters, and retail outlets.

Among the planned food-service facilities was to be a restaurant called the Deep End, which was intended to give patrons the feeling of eating inside a swimming pool, and the Star Quality Diner, which was to showcase 100 years of film history.

# Spillman charges Winners with violating state law

BRENTWOOD, Tenn. — Francis Spillman, the restaurant-chain veteran seeking to acquire local fast feeder Winners Corp., has filed a complaint against the restaurant operator for violating a state law by refusing to disclose certain financial information.

The suit came to light in a government document indicating that Spillman had reduced his stake in Winners to 8.8 percent from about 9.7 percent.

The document detailed a legal complaint filed against Winners and certain directors for refusing to grant Spillman's request to review corporate records. Winners, which operates the Mrs. Winner's fast-food chicken chain, had responded by agreeing to provide the minutes of shareholders' meetings.

Spillman said Winners' refusal to provide additional information violated the Tennessee Business Corporation Act.

# San Simeon operators plan to open Italian unit in NY

NEW YORK — The operators of San Simeon restaurant, a leading contender in Dallas' fine-dining market, are preparing to open a spin-off here in May to be called Sfuzzi.

The West Side restaurant will feature a Mediterranean menu jointly developed by Richard Chamberlain, San Simeon's executive chef, and Stephen Goebel, executive chef of the Sfuzzi prototype in Dallas. Prices will be moderate, according to San Simeon's operator, Crillon Management Group.

That concern consists of Brian Galligan, who will oversee the New York Sfuzzi; Patrick Colombo; Robert Colombo; and David Palmer. The group indicated that it is already planning to open a third Sfuzzi in an undisclosed location.

# Cracker Barrel opens bakeries in two units

LEBANON, Tenn. — Cracker Barrel, the 55-unit coffee-shop-and-gift-store chain, has opened bakeries in two units in an attempt to bolster take-out and on-premises dessert sales.

As part of that effort, the chain is also testing superpremium ice cream. The frozen treat is sold in both the restaurant and gift-shop components of test units.

"The jury is still out [on the bakeries] and will be out for some time," commented Cracker Barrel president Dan Evins.

# Bistro in, blackened fish out at DuVall's Ritz Cafe

LOS ANGELES — West Coast restaurateur Sam DuVall, while proclaiming the passing of the Cajun-Creole trend, has begun a menu and decor metamorphosis at the Ritz Cafe, his high-grossing New Orleans-style restaurant here.

DuVall has hired Brian Whitmer, the former head chef of Le Montrachet in New York, to help shift the Ritz toward an "American bistro" format.

# Carl's Jr. chain inks Japanese license pact

ANAHEIM, Calif. — Carl Karcher Enterprises has sold the Japanese development rights for its Carl's Jr. hamburger chain to Friendly Corp. of Japan, which operates 90 American-style coffee shops in the Osaka region.

Friendly paid CKE $500,000 for the rights and agreed to pay the 444-unit California company an initial 1.5-percent-of-sales royalty. Encouraged by rapid growth in Japan's fast-food market, the Osaka-based firm has set a corporate goal of opening 50 Carl's Jr. outlets within five years.

Under the 25-year exclusive agreement, Friendly would open a minimum of 30 Carl's Jr. units in the Osaka region by 1993. The company plans to have one or two outlets open by the end of this year and a total of five operating by early 1989.

# FOCUS | VIEWPOINT

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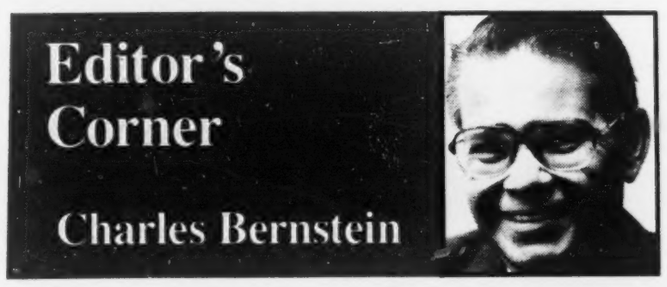
# Operators' sanitation responsibilities

The widespread health inspection shakedown scandal in New York City focuses attention on a serious problem that has afflicted restaurants in major cities.

For years we thought that too many restaurants were lax about sanitation conditions and that health inspectors were the heroes of the day in zealously guarding customer rights. New York authorities actually appeared generous in giving restaurants repeated warnings to clean up unsanitary conditions.




The inspection policies seldom caused a restaurant to close for very long. Sooner or later, it apparently rectified the problem and was cleared for reopening or taken off the warning list.

For restaurateurs the cause of terror was not so much that health inspectors seemed to swoop down suddenly out of nowhere and inevitably find a few flies, mouse droppings, even a slight defect in an awning, or some kind of presumed violation. It was that the daily newspapers would print all lists released weekly by the city Health Department, naming each offending restaurant and the warning or penalty.

The resultant bad publicity was anathema to restaurateurs throughout the city, who pleaded that the dailies not print such lists unless they were flagrant violations or closings and that the newspapers allow the alleged unsanitary conditions to be remedied without public exposure.

Just as restaurateurs feared that a negative restaurant review could cause a precipitous falloff in customers or even put a place out of business, they were more afraid that any mention of even a minor sanitation code violation could ruin an operation. While we seriously doubt that a "bad" restaurant review alone destroyed very many restaurants, the alleged sanitation violations were viewed as health hazards and put places out of business, threatening livelihoods.

Predictably, the vulnerable operators were the little guys . . . neighborhood coffee shops and snack places struggling so hard for survival that they couldn't afford the loss of even a few customers, much less hundreds.

These were the places literally driven out of business by health inspections and the resultant publicity. Larger restaurants could remedy the "infractions" speedily and were not as affected by these periodic crackdowns.

At such times most of us cheered the health inspectors as heroes preserving the public welfare and maintaining the highest standards of cleanliness in America's restaurants. We also felt that publishing the names was a public service and part of the public's right to know.

With the current scandal—a total surprise to most observers but not to restaurateurs who have been harassed with such shakedowns for years—a different picture emerges. The "heroic" health inspectors of New York City are seen as villains, and the daily newspapers no longer want to print health code violation lists until the entire inspection system is overhauled.

After a two-year undercover probe of restaurateurs' allegations about forced payoffs, the FBI last month arrested 22 New York City health inspectors or supervisors and six former ones on extortion charges. The 22 were immediately suspended pending the outcome of the charges, and the entire inspection program was temporarily halted.

Those arrested were charged under federal statute with violating the Hobbs Act, which bars public employees from payments "in the official conduct of their duties." So far as is known, no charges were filed against any of the other 88 current Health Department inspectors and supervisors.

Salaries range from $23,213 for public health sanitarians to $32,735 for supervisors. The shakedowns, in which inspectors were alleged to have threatened shutdowns or the filing (and publication) of sanitation code violations, were said to involve bribes ranging from $50 to $1,400 each time and to have at least doubled the annual income of some of the inspectors.

About 300 of the city's 15,000 eating establishments were alleged to have made payoffs over the past several years. Under the existing rules, all restaurants must be inspected at least once a year. But an additional clause requiring a restaurant inspection whenever anyone complains about an alleged sanitation violation could lead to abuse by discontented former employees or anyone wanting to be a pest.

A complete overhaul of the inspection system is imperative. Some preliminary steps have already been taken, and city health inspectors are now required to wear identifying blue coats as the program is resumed on a limited basis. This assures the restaurateur that the health inspector is not an impostor.

It has been suggested that some menu prices in New York City were raised slightly to help pay the bribes. That theory, though farfetched, is indicative of the public's thinking on the subject.

Perhaps the whole scenario simply reaffirms that avarice is an incontestable ingredient of human nature. Certainly, the arrested New York City health inspectors are considered the bad guys in this case. But the fact that serious flaws and shakedowns have been uncovered in the New York health inspection system and also could exist in other cities does not relieve restaurant operators of their own responsibilities.

The need for full-scale pest control and complete sanitation programs in all food-service operations is fundamental to this industry. And any payments of bribes to prevent health inspectors from filing health code violation charges—whether actual violations or "imaginary" ones—are blatantly wrong.

Admittedly, restaurateurs are subjected to a huge amount of pressure in these situations. But the only legitimate answers are eternal sanitation vigilance and uncompromising ethics.

## LETTERS

### *Top-quality accountants don't always have licenses*

Editor, NRN:

I noted in the Feb. 15 issue of Nation's Restaurant News, in a letter to the editor, that Philip L. Wiggle, CPA, is sticking to his fetish that "quality accountants are the ones with licenses."

If that were the case, I wonder why malpractice and malfeasance lawsuits are brought against licensed professionals. In other words, I doubt if a "license" is a guarantee of infallibility.

I also believe that restaurant owners are entitled to the best accounting, tax, and management counseling available.

Common sense and my 13 years in the restaurant field make me urge restaurateurs seeking qualified accounting help to (1) determine the accountant's years of experience and expertise in the restaurant field and (2) verify the accountant's restaurant references and quality of services.

I believe the above considerations are primary areas of importance. The accountant may well be "licensed," or he may not be. I guess this is my "biased opinion." But I do not plan to wiggle out of it.

**—Larry D. Roesler**
*restaurant consultant*
*Certified Internal Auditor*
Chicago

### *Research finds no link between MSG, sickness*

Editor, NRN:

The New York Metro Report column in the Feb. 1 issue of Nation's Restaurant News implies that MSG may produce Chinese Restaurant Syndrome. You may be interested in the most definitive research to date regarding MSG and alleged sensitivity.

Dr. Richard Kenney, of George Washington University Medical School, has been studying possible intolerance to glutamates for the past 17 years. His research is designed to challenge the self-identified MSG-responder in a double-blind fashion. Kenney, in a paper published last year in the peer-reviewed journal Food and Chemical Toxicology, concluded that the MSG link to Chinese Restaurant Syndrome (so named because MSG is commonly used in Chinese cuisine) is not supportable and that the symptoms associated with it (typically burning, tightness, or numbness in the chest, neck, or face) were not evident in his research. Moreover, his research fails to confirm a cause-and-effect relationship between MSG and more specific symptoms (for example, headaches and nausea), reported by those tested.

Many people (nearly half of the American population) experience after-eating discomfort following ingestion of many common foods and food ingredients.

**—John D. Buchholz**
*staff associate*
The Glutamate Association
Atlanta

**More letters on page F9**

# Burger King ads fall short

*(Continued from page 1)*

Burger King executives were hopeful the new campaign returning focus on flame broiling would do that.

They maintain, however, that it is still too early to accurately reflect success or failure of the campaign.

In the Nation's Restaurant News poll, SRI Research Center Inc. here asked a representative sample of 1,000 consumers across the country, "Of all the fast-food advertising that you have read, seen, or heard in the last month, which advertising first comes to mind?"

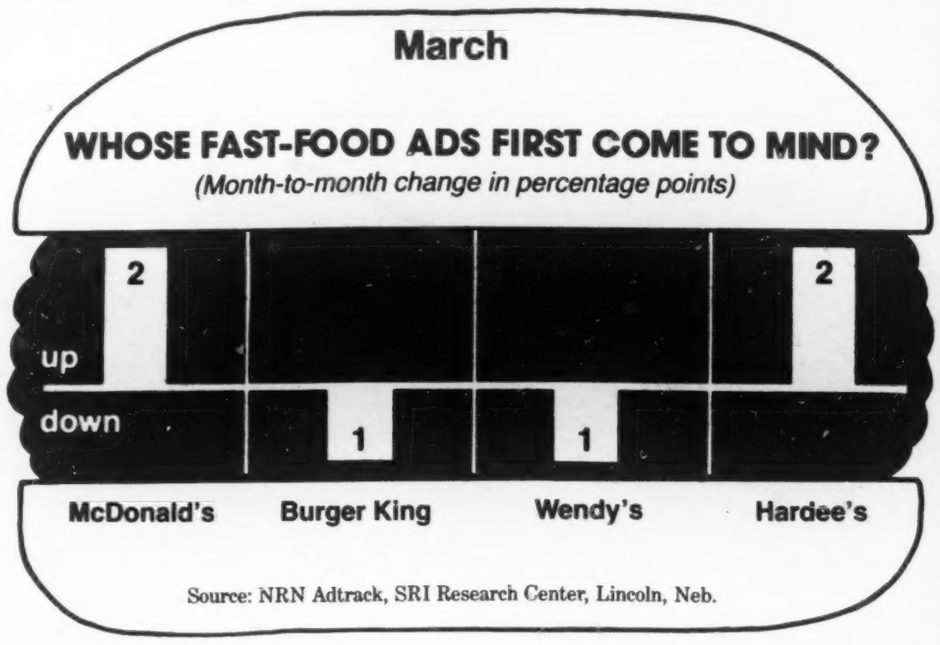
In that unaided recall survey in March, 12 percent mentioned Burger King, as opposed to 13 percent the month before.

In fact, the recall score was Burger King's lowest since last September.

For example, some 16 percent remembered Burger King's advertising in October, 14 percent in December, and 13 percent in every other month since. During that time J. Walter Thompson's "Best Food for Fast Times" spots were still running.

McDonald's, whose advertising expenditures are double those of Burger King, continued its commanding recall lead in March, with a 45-percent score, up two points from the prior-month figure.

Wendy's International dropped a percentage point from its February results, when it had scored an impressive three-percentage-point leap after its new "Hamburger A" ads debuted on television. Wendy's recall rate in March was 8 percent.




# Hudson's Grill stays flexible

*(Continued from page 1)*

president for parent company International Eateries.

And because Hudson's Grill units avoid full-throttle '50s-theme saturation, Beckham and his associates believe the restaurants are prepared for the day when vintage-auto artifacts, neon signs, and jukeboxes again fade from commercial viability.

"The whole '50s thing may eventually wear thin, and that's something you have to think about when you're signing 15- and 20-year leases," Beckham explained.

Thematic moderation, said Ron Brett, Hudson's expansion director, "keeps us contemporary and flexible enough to move into some future trend, whatever that might be. We're not locked into vinyl booths."

For the time being, however, the Hudson's Grill concept is driving International Eateries to its impressive sales gains. The Ventura-based company, with six company-owned Hudson's and five other pub-restaurant concepts (mostly in the Santa Barbara area), posted sales in excess of $10 million last year. That figure was up from $7.8 million the year before.

The Hudson's Grill chain is scoring annual per-store averages of $1.3 million, with 25 percent of sales in alcoholic beverages, Beckham reported. The restaurants, which range in size from only 2,500 square feet to a modest 4,500 square feet, typically cost around $500,000 to open. They seat from 120 to 170 diners and have full-bar lounges that can accommodate another 30 to 50 patrons.

Hired two years ago by International Eateries founder and owner Travis Bryant, Beckham was charged with streamlining and expanding the young Hudson's chain. The concept's format, then halfway between that of a diner and a pay-the-cashier coffee shop, was changed to a classic "limited menu, full-service, casual" niche that Beckham says boils down to "burgers and booze, basically."

Food delivery was accelerated through the modification of kitchen layouts and equipment and through more intensive training of servers. "We have a 12-minute turnaround target, from order to service, but we usually hit 10 [minutes] or less," Beckham remarked.

To enhance consumers' value perceptions, Beckham has limited menu price inflation to about 3.5 percent in the last year and a half.

The Hudson's Grill menu, which Beckham pared down radically from the prototype restaurant's initial grab bag array of offerings, currently generates an average per-person tab of $6.25.

Ten burger varieties, weighing a third of a pound, priced from $2.95 to $4.95, and served with curly fries, form the core of the menu. Also offered are six appetizers, two soups, four salads, and two sandwiches, none of which is priced higher than $4.95. "We believe in simplicity," said Beckham, a veteran of Burger King Corp. and Red Robin International.

*To enhance consumers' value perceptions, Beckham has limited price inflation to about 3.5 percent in the last year and a half.*

Beef or chicken soft tacos ($4.50) and fajitas ($6.95; $11.95 for two diners) are the ethnic options. Along with shakes, malts, and a root beer float, the sweets on Beckham's limited menu are a mud pie, a deep-dish apple pie, and a hot fudge sundae.

Seven specialty cocktails (2.75 to $3.50) are merchandised on one flap of the tri-fold menu.

The first Hudson's Grill unit opened in Ventura in December 1984, followed in 1985 by two others, in San Luis Obispo and Oxnard. Under Beckham, the chain has added branches in Irvine, Simi Valley, and Costa Mesa. A sole franchised outlet opened in El Paso, Texas, two years ago.

Company-owned expansion, financed principally through cash flow, is International Eateries' preferred growth mode. The latest Hudson's branch, a new 215-seat prototype under construction in Santa Maria, Calif., is due to open by June. Other California sites under investigation include Mission Viejo, Pasadena, and Yorba Linda.

# Doherty new NRN publisher

*(Continued from page 1)*

am happy to be part of NRN."

A graduate of Denver University's Hotel & Restaurant Administration program, Doherty joined General Mills at its Minneapolis headquarters in 1962 as an assistant to the national sales manager. That position evolved into the new post of sales and marketing food-service consultant.

He subsequently moved up to marketing manager in 1966 and corporate venture manager in 1968, where he assisted in General Mills' 1969 acquisition of the seven-unit Red Lobster chain.

As marketing and development vice president from 1972 to 1976, Doherty helped lead a rapid expansion of Orlando, Fla.-based Red Lobster to the top-volume seafood dinner house chain under Joe Lee's leadership.

Doherty then became president and chief executive of Santa Monica, Calif.-based A & W fast-food restaurants (owned by United Brands) from 1976 to 1979. He strengthened the chain and was instrumental in its 1979 sale to shopping center magnate Alfred Taubman.

For the next six years, Doherty was president and chief executive of Pasadena, Calif.-based Acapulco Restaurants, the Mexican dinner house chain founded by chef Raymond Marshall. Under Doherty's leadership, sales jumped from $8 million to $40 million as the chain expanded from its California base.

In 1985 Restaurant Associates president Max Pine led RA's two-stage acquisition of Acapulco. Doherty remained during the transition and then formed the Doherty Group, specializing in venture capital and company start-ups.

Doherty, 48, is an intensely competitive executive with a flair for setting objectives and "getting the job done, whatever it takes," a former employer said.

Doherty has been a board member of Corporate Care Systems, the Dodsworth Corp., and General Pacific Communications as well as a partner in the Los Angeles Original Pantry restaurants, RDR Development Co., Leuen Inc., and Film Street Ltd.

A budding author who has written two novels, he also is active in community programs, serving as board president of the Children's Institute International and a director of the U.S. Academic Decathlon.

Doherty was an Eagle Scout as a teen-ager and later won the American Citizenship and Jaycee of the Month awards.

The new NRN publisher and his wife, Mary Ellen, will be moving to New York City, NRN's headquarters. They have resided in Palos Verdes, south of Los Angeles, for several years. Two daughters and a son are in their 20s.

# Hildebrand begins revolution

*(Continued from page 3)*

took the message to heart.

Still it was an eight-month ordeal finding the Atlanta location: an upscale courtyard shopping strip along Peachtree Road between the midtown and Buckhead districts, near the affluent in-town neighborhoods where his Hilton Head customers lived.

"When the sign ['opening in Atlanta'] finally appeared in our Hilton Head restaurant window, the customers couldn't wait to find out what part of town we were moving to," added Hildebrand, who was operations director for an eight-unit group of the Columbus, Ohio-based dinner house rib chain, Damon's.

Hildebrand knows location did help Cafe de la Place catch on. But his menu, price, and casual ambience played key roles as well. Loyal followers found the 20-item Atlanta menu nearly unchanged from that of Hilton Head except for an added veal filet and a discontinued shrimp cocktail.

"Most traditional French restaurants are high end," said Hildebrand, pointing to his parking lot, stacked with Cadillacs and BMWs. "We're serving the same French food but at half the price." He paused and then pointed again. "People own cars like that because they know value," he said.

Lamb shanks are $12.50; rabbit marinated in Burgundy with herbs is $12.95; duck, semiboned with bing cherry sauce, is $13.95. Pan-sautéed Oysters Helena, served on a warm horseradish cream sauce, and Shrimp Crevette Provençale are the lead appetizers. Half the entrées are seafood.

Another delight Hildebrand's customers found was the exhibition kitchen. "A true kitchen," he challenged, "not some glass-enclosed, walled-off thing." General manager Davies said the staff encourages diners to leave their tables and talk across the counter with the chefs.

Hildebrand said new customers phoning for reservations always ask about the dress code. "We tell them shirts and shoes are required, but trousers are optional," he joked, admitting he sees "all kinds of dress" yet insisting "it's better when nobody's uncomfortable."

Hildebrand may add another small (36 seat) dining room, allowing his kitchen to reach its 200-meal potential. Cafe de la Place now serves 150 dinners on three turns—sending away another 50 to 100 customers—on Fridays and Saturdays.

The restaurant, which Hildebrand believes could be cloned successfully in any Atlanta suburb, is projected to reach $1 million this year. "I've got ideas for four or five more restaurants here," he said.

***Cafe de la Place***

**Menu Sampler**

| | |
|---|---|
| *Crevette Sautée Provençale* | $5.95 |
| *Pâté de Canard* | $4.95 |
| *Veau Française* | $13.95 |
| *Civet de Lapin* | $12.95 |
| *Crêpes aux Fruit de Mer* | $10.95 |
| *Cappuccino* | $2.50 |

5/6/88

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NEWSPAPER

**Restaurants turn to home delivery**

Focus section follows page 36

**Reporting corruption is tough on victims**

New York Metro Report/Page 27

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*The Weekly Newspaper of the Food-Service Industry*

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## Hatch aims for filibuster in wage fight

By Deane Evans

WASHINGTON — "Get me five Democrats, and I can beat the Senate minimum-wage bill in filibuster," Utah Republican Orrin Hatch declared at a recent food industry conference.

He warned that barring a drastic turnaround, Congress is poised to boost the wage floor this year.

"You can count on the minimum wage," he said. "It's going to be difficult to defeat it with a filibuster because the Southern Democrats are not with us."

However, he said, if industry lobbyists can influence five conservative Democrats to join Senate minimum-wage increase opponents, they will mount "the finest battle this country has ever seen" and "might defeat minimum-wage legislation for the first time in history."

As currently proposed by Sen. Ed-

*(See HATCH, page 92)*

**Servers ready trays at Illinois' Cook County Jail.**

## Contractors unlock gates to jail jobs

By Bill Carlino

A dramatic increase in America's prison population is catapulting privately bid correctional food-service contracts from a lucrative sideline to an industry boom approaching $100 million in annual revenues.

"I don't know of one jail, prison, or halfway house that doesn't have an ongoing or planned expansion program to alleviate overcrowding," said Marvin Zitting, coordinator of the American Correctional Food Service Association. "It's basic arithmetic. An increase in prison population translates into a demand for more meals."

According to the American Correctional Association, the prison population in the United States is about 545,000 inmates, an increase of 145,000 since 1982. Federal, state, and county prison feeding costs are approaching $1 billion on a national level.

With the number of prisoners soaring and state and local governments farming out correctional food contracts, private companies are scrambling to enter bids.

A survey presented before

*(See PRISON, page 92)*

## Mövenpick marches into buffets

By Charles Bernstein

HANNOVER, West Germany — Mövenpick, the wide-ranging Zurich, Switzerland-based family restaurant chain, gives separate managers complete authority over four sectors in each of its evolving Marché Restaurant buffets.

Marché, located in shopping malls at Hannover, Dortmund, Düsseldorf, Stuttgart, and West Berlin as well as in Swiss roadside locations, emphasizes the look of an open-air French market.

The Marché operation is complete with a blackboard menu that changes daily and separate counters for meats, pastas, fresh vegetables, soups, cakes, and pastries. It also includes a salad bar, dessert bar, coffee bar, and wine and juice bar.

Lavishly displayed fresh foods and exhibition cooking behind each counter are featured.

But the most unusual aspect of the expanding chain is that each of the four managers operates his own designated department and trains assistant managers who can assume responsibilities in the same buffet restaurant or in another one.

While a director has overall

*(See MARCHÉ, page 88)*

## Rax rolls do-it-yourself sandwich bar

### *Regional fast feeder tests brunch, mulls drive-thru-only*

By Peter J. Romeo and Jeanne Isenberg

COLUMBUS, Ohio — In an attempt to broaden the appeal of its all-you-can-eat lunchtime array, Rax, the regional fast-feeder headquartered here, is adding a station where customers can assemble miniature tuna, chicken salad, and deli-meat sandwiches.

The 535-unit chain is also experimenting with brunch service in half its units here and is preparing to launch tests of a limited-menu, drive-thru-only outlet.

Meanwhile, spurred in part by the drive-thru venture, Rax is shifting its focus back to sandwiches, which were the chain's hallmark until hot foods were added to its salad bar in the mid-1980s.

"We've spent three years looking at our lunch-dinner bar," which today, with some 80 hot and cold items, accounts for more than 30 percent of sales, said Rax president Larry Ritter.

"We run only 35 percent [of sales] through our drive-thrus,"

*(See RAX, page 92)*

**FOOD WATCH**

### *'Marsh rabbit' hops onto scene*

SMYRNA, Del. — Just when you thought you'd heard it all in the world of gastronomy, along comes muskrat.

At the Wagon Wheel restaurant along Route 13 here, chef Kitty Budd prepares a local delicacy known as "marsh rabbit," a euphemism for muskrat, with side orders of stewed tomatoes and fried potatoes.

Budd's marsh rabbit preparation method isn't for every chef. She cuts off the heads and tails, skins the muskrat, and soaks the meat in salted water, changing the water three or four times to "draw out the wild taste."

Then Budd parboils the meat with onions and seasoning for approximately one hour, cuts it into serving pieces, and browns them in an iron skillet with sage, salt, and pepper. When done, the meat is dark and stringy and easy to pick off the bone. Budd serves her specialty dish in large casserole dishes—with the lid on. —Ken Frydman

CHARLES BERNSTEIN ON EARRINGS, LONG HAIR, 'NO BRAS' — Page F3

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## NEWS DIGEST

# Donald Callender, Ramada embroiled in legal battle

NEWPORT BEACH, Calif. — Donald Callender, founder of 125-unit Marie Callender's Pie Shop restaurants, is suing Ramada Inc., which bought the chain from him two years ago, for $60 million.

Callender alleges he was stripped of his authority as Marie Callender's president and chief executive.

Callender also charges that Ramada breached an agreement to pay a $30,000 monthly leasing fee for his corporate jet.

Ramada and Marie Callender's are countersuing for $29 million, charging that Callender has libeled the company in conversations with Callender's licensees. The countersuit also says Callender encouraged franchisees to sue Ramada and offered to pay for the litigation.

# San Francisco BK units add half-pound Big Cheese item

SAN FRANCISCO — Burger King units in the greater metropolitan area here have added a new half-pound hamburger sandwich called The Big Cheese.

The new item replaced the Bullseye Barbecue Burger, which was embraced last year as a short-term promotional product.

The $2.59 Big Cheese consists of two four-ounce Whopper patties topped with three types of cheese (monterey jack, swiss, and American) and a mayonnaiselike dressing. No other garnishes are provided.

# Atlanta developers mull new culinary institute

ATLANTA — Plans for a non-profit culinary arts institute are under study by the group that is developing a $500 million office complex in Atlanta's midtown, according to reliable sources.

The so-called Institute for Culinary Arts & Services would operate in a remodeled historic building that is part of the Promenade project, a joint venture including AT&T and Landmarks Group. Landmarks has confirmed only that $3 million in renovation is under way to convert the same five-story building to a private dining club.

# McD posts 18% rise in net, 15% increase in revenues

OAK BROOK, Ill. — While many competitors struggled to stem an erosion of profits in early 1988, McDonald's continued to gain ground, raising net income for its first quarter ended March 31 by 18 percent from the prior year, to $125.8 million.

Revenue rose 15 percent, to $1.23 billion, and systemwide sales increased 15 percent, to $3.59 billion.

The company attributed the gains to increased unit sales; the addition of 504 restaurants worldwide, a 5.3-percent increment from the figure for the year-ago period; and the strength of foreign currencies against the dollar. At quarter's end, 2,369 McDonald's were operating outside the United States.

# Arby's adds hot-spiced, curly french fries option

ATLANTA — Arby's, the 2,000-unit sandwich chain, has added curled, spicy french fries as an optional menu addition while regular fries remain available. The new fries, which were tested for six months, sell for 79 cents.

# Circle K buying 538 units in wake of 7-Eleven deal

PHOENIX, Ariz. — The Circle K convenience-store chain has agreed to buy 538 Charter Food stores in the Southeast and Northeast from Charter Marketing Co. of Jacksonville, Fla.

Meanwhile, Circle K has completed its acquisition of 473 7-Eleven units from Southland Corp. for $147 million, raising Circle K's tally of units to 4,045.

The 7-Eleven units will be converted to Circle K stores featuring a Deli fresh sandwich line, a Circle K spokesman said.

# Cardinals' Herzog opens pilot unit in St. Louis

ST. LOUIS — Whitey Herzog, manager of the St. Louis Cardinals baseball team, has opened Whitey's Beer Garden, the first of several dining and entertainment facilities the baseball skipper plans to open in and around Union Station here.

Whitey's Restaurant and The Powerhouse, a nightclub and banquet hall, are expected to be open before the end of this year's baseball season in a new building adjacent to Union Station. The complex will have a sports theme.

The menu will feature seafood, since Herzog is a fisherman, according to Jim Rittenberg, who will manage the operation.

Rittenberg also manages Ditka's/City Lights and owns Jukebox Saturday Night and Faces private nightclub, all based in Chicago.

# Owners of NY's Prunelle plan to add second outlet

NEW YORK — Jackie Ruette and Pascal Dirringer, owners of the much-praised Prunelle restaurant here, are planning another fine-dining French restaurant in Manhattan.

L'Origine will bow in the Place des Antiquaires, a new upscale midscale retail shopping arcade on the East Side.

# Curtis, Hayes join board of JB's Restaurants

SALT LAKE CITY — Vern Curtis, the former chairman of Denny's, and Carl Hayes, a onetime president of Steak and Ale, have been appointed directors of JB's Restaurants, the Big Boy franchisee here that is pulling out of the system.

The appointments are part of JB's effort to bolster sales and earnings by recruiting outsiders with ample experience in the family restaurant sector.

# *Tony indies downgrade to up traffic*

## *Frank converting La Toque to less expensive concept*

LOS ANGELES — Chef-owner Ken Frank is planning to close his critically acclaimed, high-end La Toque restaurant on Sunset Strip this summer and convert it to a less expensive, more contemporary format with a glassed-in exhibition kitchen.

Frank said the renamed restaurant would get a needed boost in frequency of patronage after per-person tabs decline from $75 to $40. La Toque currently features expensive French-California cuisine and formal decor.

The $1 million revamping will nearly double the 65-seat restaurant's capacity. La Toque has operated under Chapter 11 protection from creditors for two years.

## *Waxman revamping Jams into lower-priced J.W.*

NEW YORK — In an attempt to build traffic, chef Jonathan Waxman, whose Jams restaurant here was one of the first in the city to feature California cuisine, is lowering prices by adopting a limited menu and decreasing portion sizes.

Renamed J.W., the restaurant will feature "comforting and festive" foods, Waxman said. For example, he explained, calf's liver and monk fish will replace guinea hen and spring lamb.

As a result, Waxman said, the average check will drop to $30 from about $40, including liquor. He noted that Jams' traffic has been down by a third from last year's.

# Shelly's brings north woods to Minneapolis

**By Carolyn Walkup**

MINNEAPOLIS — What began as a cooking hobby and respite from the world of high finance has turned into a serious restaurant business with expansion potential for Sheldon Jacobs, younger brother of the infamous investor Irwin Jacobs.

Shelly's Woodroast is entirely the younger Jacobs' brainchild, from the concept to the day-to-day operations. He usually can be found at the restaurant, which he opened last fall after four years of research and planning.

Ironically, his brother also owns a restaurant, Sasha's Deli and Grill, but he hired someone else to operate it. That's not the case with Sheldon, who gave up his previous partnership in the family firm and also had done an earlier stint as jazz artist Al Jarreau's personal manager.

To provide the expertise he lacked in managing a restaurant, Jacobs hired an experienced general manager, John Mallon, formerly of Bennigan's.

The enthusiastic reception his 72-seat restaurant has received indicates that Shelly's Woodroast is much more than a rich man's hobby. The place often does five turns nightly and grosses $30,000 a week, Jacobs said.

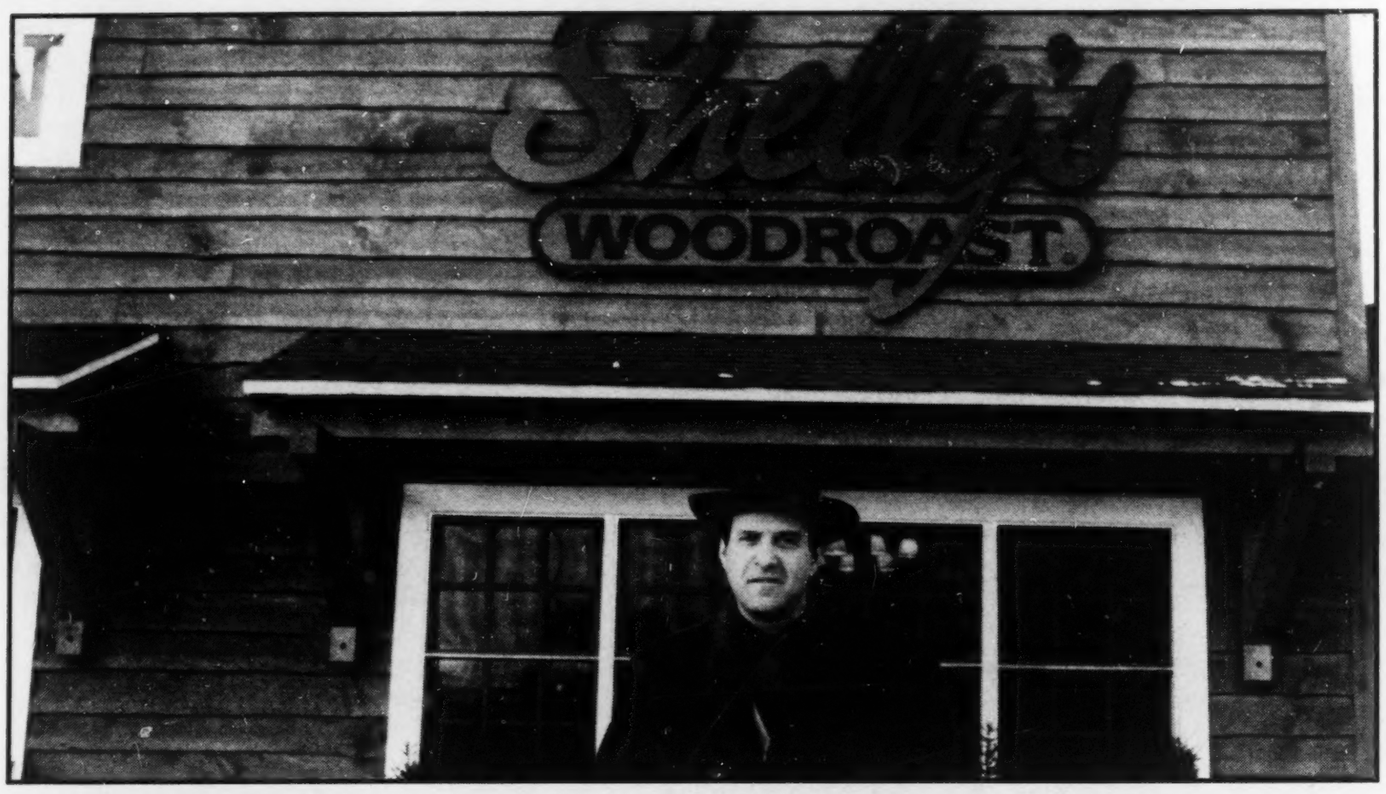
Jacobs developed (and patented) Original Woodroast Cooking, a method of slowly roasting meats, poultry, and fish in special wood-burning ovens he engineered. The raw foods are first marinated in Jacobs' custom-blended marinades from two to five days. While roasting, the meats are continually basted by the ovens' automatic basting system so that they will stay moist.

The woods used for roasting are a secret combination of a fruitwood and two hardwoods. When served, the roasted foods can be seasoned even further with Jacobs' own Woodroast (barbecue) sauce, mustard sauce, and custom-blended spices.

The limited menu of hearty foods is accompanied by a beer and wine list emphasizing microbrewery beers. Jacobs plans to have his own brew pub in his second Woodroast restaurant, featuring the beer of his brewing company, Birch Bay Brewing and Malting Co. The beer list changes seasonally.

Among the food choices are double chicken breast, either as an entrée or a sandwich; whole roasted game hen; five pepper beef brisket; short ribs of beef; salmon or trout; and sausages, also made from Jacobs' recipes. Sandwiches and dinners are served with a tomato and cucumber salad and a choice of roasted or "smashed" potatoes.

Price points range from $1.50 for a sausage to $14.95 for a full rack of spare ribs. Sandwiches are $4.25 to $6.95, and dinners are $6.95 for salmon patties to $9.95 for duckling.




**Sheldon Jacobs in front of Shelly's Woodroast in Minneapolis.**

Desserts, made by a supplier, are simple, in keeping with the overall casual theme. They include green apple pie, bread pudding, double chocolate cake, baked custard, and ice cream sundaes.

The menu contains "no slow-moving items," said Jacobs, who has not found it necessary to remove anything since opening. All foods are available for take-out, which amounts to about 12 percent of sales.

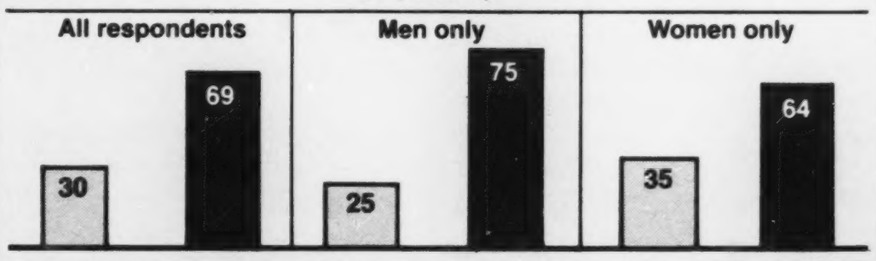
The service style, an unusual combination of self-service ordering and table service delivery, saves the customer about 20 minutes in waiting time, Jacobs claimed. Upon entering the restaurant, customers see a display case of products and a menu board. They give their order to a flannel-shirted order-taker and then choose a table. A server takes beverage orders at the table and brings the food when it's ready, usually in 10 to 15 minutes.

Customers may sit in two non-smoking dining rooms. One has a fieldstone fireplace and a rack of wool lap robes to ward off any chill in the air. The smoking section doubles as the bar.

All rooms feature light pine ceiling beams and accents, heavy wood tables and chairs, and black-and-white wildlife photographs, which also are changed seasonally. Split-log siding with the bark still on covers the exterior walls. Only the surrounding urban street scenes suggest the restaurant's city location.

While Jacobs and partner John Goodman, a real-estate specialist, are receiving numerous requests for franchises and other offers, Jacobs said he is not yet ready for such rapid expansion, although he hopes to grow when the time is right. "I'm really focused on making this place the best it can be. If I do well with that, I will go forward," he said.

**DO YOU EVER CHOOSE A RESTAURANT ON THE BASIS OF NUTRITIONAL OR DIETARY CONCERNS?**
(In percent)




Note: Numbers may not total 100 due to rounding.
Source: NRN; SRI Research Center, Lincoln, Neb.

**CONSUMERS' TOP 10 DIET CONCERNS**
(In descending order)

1. Fat
2. Cholesterol
3. Salt
4. Vegetarianism
5. Greasy or fried foods
6. Fresh fruits and vegetables
7. Nutritional value
8. Calories
9. Salads
10. Quality

Source: NRN; SRI Research Center, Lincoln, Neb.

# Poll: Nutrition not top priority in deciding where to eat out

**By Rick Telberg**

NEW YORK — Most Americans don't care about nutritional or dietary issues when they go out to eat at a restaurant, according to an exclusive new Nation's Restaurant News survey.

NRN SRI Poll

Only about one out of three American diners said nutritional or dietary concerns influence where they go to eat out, the poll suggested.

Women restaurant-goers are more concerned about the health aspects of eating out than men are, according to the survey, which was conducted by SRI Research Center Inc. of Lincoln, Neb.

The NRN/SRI Poll showed that restaurant patrons are most worried about fatty, cholesterol-rich, salty, and greasy or fried foods. Vegetarianism and a hunger for fresh fruits and vegetables also play a key role in consumer decisions, the poll indicated.

Of 1,000 consumers polled by telephone, 30 percent answered "yes" to the question "Do you ever choose a restaurant on the basis of nutritional or dietary concerns?"

Thirty-five percent of the women answered "yes," compared with only 25 percent of the men.

Among demographic camps, the 35-to-45-year-old age bracket and the most highly educated group were among those most concerned about dietary and nutritional issues.

Eleven percent of all respondents said fat was their top concern. Another 11 percent said it was cholesterol. Eight percent were most worried about salt. Seven percent cited vegetarianism.

Only 3 percent said food quality was an issue, and only 1 percent worried about freshness.

# Fournou's Ovens Americanizes food to capture new crop of high rollers

**By Alan Liddle**

SAN FRANCISCO — Hoping to attract the new generation of high rollers needed to end a five-year decline in customer counts, Fournou's Ovens in the Stanford Court hotel here has changed chefs and Americanized its Continental menu.

The new food list was created by the award-winning hotel's executive chef of five months, Lawrence Vito, who has held similar posts at The Desert Cafe, a "meatless cuisine" restaurant in Santa Fe, N.M., and at The Morgan Hotel and Green Street Cafe in New York.

Fournou's Ovens has a per-person average of about $50.

The restaurant's new menu, with 20 regular items and a handful of daily specials, is about half the size of the old one. The new menu includes:

- Sweet pepper and tomato soup with corn and toasted cumin ($4.75).
- House-smoked salmon and sour cream on a warm potato pancake with Manchurian Osetra Caviar ($9.50).
- Warm salad of barbecued chicken and foie gras in a smokey apple cider vinaigrette ($9).
- Grilled salmon with bread and butter pickle sauce ($23).

The old menu featured such items as Casoulet of Langoustine ($7.50), Cream of Artichoke with Hazelnut Soup ($4.75), and Piccata of Veal al Limone ($18.95).

The appointment of Vito, who replaced Christian Iser, was part of a major revamping of the hotel's food and beverage

*(See **FOURNOU'S**, page 4)*

***Fournou's Ovens***
**Menu Sampler**

**"IN"**

*Spaghetti squash with morel mushrooms, toasted walnuts, cream* ..... $7
*Vegetable, chicken terrine with fresh basil, tomato sauce* $6.50
*Local lettuces & bitter greens with extra virgin olive oil and aged sherry vinegar* ..... $6
*Grilled vegetables with mushroom cakes, tomato jam* ... $14
*Oak-roasted rack of lamb with corn, pozole custard in an ancho chili and roasted pepper sauce* ..... $26
*Free-ranging chicken breast with smothered oysters* .... $21

**"OUT"**

*Terrine of fresh duck liver with pistachio* ..... $5.50
*Little snails in clay pots* ..... $6.95
*Crab bisque* ..... $5.50
*Hearts of romaine Roquefort* ..... $4.50
*Roast duckling with green peppercorn, kumquat sauce* $16.95
*Little calf sweetbread sauté au buerre noir* ..... $16.25
*Native sand dabs with lemon-caper sauce* ..... $14.95

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# FOCUS | VIEWPOINT

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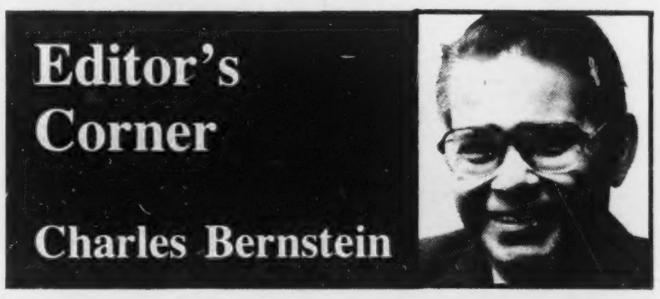
# Anathema: long hair, earrings, 'no bras'

Few pictures in journalistic history have inspired more protests than the ones in Nation's Restaurant News, March 7, showing long-haired chef-owner Richard Krause in his kitchen at New York's Melrose restaurant.

Nobody objected to the in-depth Focus feature on Krause's kitchen, appropriately titled "A Walk through the Wild Side."




The article gave readers inside perspective on how Krause operates his kitchen and emphasized that customers are encouraged to walk through the kitchen during dinner.

However, the chef's long hair was criticized as being undignified, unsanitary, and unsafe.

"The cook's hair is long and against all health practices, and the other staff member's hair pictured is not in a net," remarked a chain operator from the state of Washington. He called the pictures "disgusting."

A sanitarian from Indiana wrote that photos showing Krause "handling and preparing food with hair in dire need of restraint do not promote a major point we battle long and hard with food-service operators, that traffic of unnecessary persons through food-preparation and utensil-washing areas is prohibited." He questioned how the New York City Health Department could have permitted such conditions.

Among the many other protests—some of which will be printed in detail in an upcoming issue of Nation's Restaurant News—was one from a Georgia owner-chef expressing disbelief that "perhaps New York customers don't mind a hair or two in their meals" and asserting the No. 1 rule has to be that "all employees keep their hair tied back." He said guests are invited into his kitchen "at any time, with great pride by myself and our staff."

What is our reaction to all this? Simply that while Krause may indeed operate a wonderful restaurant and kitchen in many respects, dignity and sanitation standards must be observed in the kitchen as well as throughout the restaurant.

Let's not pick on Krause, since so many employees in so many restaurants are into long hair and beards that it boggles the mind. Even in the Magic Kingdom employees apparently now parade around in beards despite a ban on facial hair, and six Disneyland Hotel workers were recently suspended for refusing to shave as unions threatened a strike over the facial-hair ban.

We are in favor of individuality as a reasonable personal expression of views shown in wearing varied outfits—but only up to a point. That point is passed when long hair and beards almost become the norm at certain restaurants.

That point is also long passed when waiters flaunt earrings. Or, to keep this discussion equal, when braless waitresses become commonplace.

No doubt many of these personal styles and modes of sloppy attire are a way of emphasizing that "I'm my own person" and "I'm a non-conformist." Nothing is wrong with that on a personal level, but it can and does work to the detriment of any restaurant, much less a fine dining place.

How many customers mind these things? No scientific survey has been conducted, but we would bet that as much as one-third of the clientele of a restaurant might vehemently object (by perhaps not returning to the place), and another one-third might feel just a bit uneasy.

Why take a chance and allow a breakdown of discipline on the part of one's employees and a reaction of spoken or unspoken criticism on the part of customers? We believe such personal styles are going too far in freedom of choice and must be curbed because they are harmful to business and, in some cases, pose safety and sanitation hazards.

There is nothing so terrible about wearing a shirt and tie and being well-groomed. We seriously doubt that very many customers object to employees who present themselves with pride, respectability, and dignity.

Indeed, when employees are required to look sharp, feel sharp, and be sharp, their entire performance tends to improve as they stand tall rather than look sloppy. Yes, some workers will resent such regulations, but they might not be suited for the job anyway.

We know presidents of chains who maintain that beards and long hair are acceptable at headquarters to promote individuality. But the same rules that are right for restaurants must apply to headquarters. We suggest a conservative approach in these matters to set the proper example and to avoid hypocrisy.

When we talk about creating a more favorable image of the food-service industry for young people considering it as a career, let's start with discipline and decorum, including good grooming.

Some may call this square, but we call it practical and meaningful.

## LETTERS

### *The death of franchises was greatly exaggerated*

Editor, NRN:

To make grandiose assumptions is human; to believe them is unprofessional. In the Feb. 1 issue of Nation's Restaurant News, Atid Kaplan presents a view of "gloom and doom" relative to franchising in the hospitality sector—based on four major misguided assumptions. Where Kaplan obtains his information is not indicated, but the information does not "square" with the facts.

He indicates that "franchisors are acquiring franchisees as operations come on the market" and sees that action as a symptom of franchisors dropping out of franchising. What Kaplan doesn't understand is that the franchising company is a natural buyer for franchisees desiring to sell. Many franchisors buy back operations to obtain undeveloped territories that were offered to franchisees in the early stages of the franchisor's development.

They also buy back to acquire real estate, to bring in competent franchisees as company management, and to pool earnings in order to satisfy demanding shareholders. Our tax structure favors reacquiring franchises for stock, and most of the buy-backs are temporary, intended to be resold to prospective franchisees at a later date.

Kaplan said that "new franchises are hard to obtain while present multi-unit franchisees grow." Can't Kaplan see that happy and successful franchisees would want to open additional operations and that franchisors would be delighted to sell to a known entity?

However, with several hundred fast-food franchisors in the marketplace, opportunities for new franchisees abound, and it is the rare franchisor that is not looking for new franchisees.

The third point Kaplan makes is that, in his opinion, there is a "tendency for franchisees to become more militant and demanding." There isn't any information that would support such a claim. If anything, franchisors are improving their sensitivity and responsiveness to franchisee concerns and problems, and many go to great lengths to resolve any disputes amicably. The increasing utilization of franchisee advisory councils to improve communications and resolve problems has had a positive effect on franchisee relations.

Further evidence of a generally solid relationship between franchisors and franchisees is that, according to the U.S. Department of Commerce in Franchising in the Economy 1985-1987, its annual survey of franchisors, "in 1985, 91 percent of all franchisee-owned units up for renewal were renewed, with the nine-year average also standing at 91 percent."

And, lastly, Kaplan talks about "increasing government regulations, manadatory renewals, greater disclosure requirements, and increasing liabilities for franchisee's mistakes" causing the demise of the franchising concept. Nothing is further from the truth. Since the passage of the FTC disclosure requirements in 1979, only one additional state (New York) requires registration, and only one registration state (California) has seen fit to further regulate the relationship. Michigan no longer requires registration and Illinois has streamlined its requirements. Very few states mandate renewals, and all of these permit termination for a good cause. Earnings claims requirements under the UFOC have been amended in seven registration states to permit a more liberal approach in interpretation. And vicarious liability of the franchisor for the acts of the franchisee have not shown any increasing trend and have been a concern primarily of academic interest.

Franchising is evidently alive and well in the hospitality sector. In fact, according to the U.S. Department of Commerce, "the net gain of companies converting to franchising jumped dramatically to almost 8 percent, the highest percentage increase for the last five years."

**—Kenneth Franklin**
*president*
Franchise Developments Inc.
Pittsburgh

5/31/88 C5150-5

**NRA show preview, profiles, and schedule**

Focus section follows page 64

**Spring break hits Daytona Beach**

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**The Karcher case: What's the beef?**

Bernstein/Page F3

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# Fine-dining operators shift from chic to casual

## *Ultra-priced menus meet resistance*

By Richard Martin

Exclusive restaurants and high-priced chefs are adopting more casual, new identities as they scurry to "go down-market" in pursuit of disaffected, price-sensitive gourmets.

As customer traffic ebbs at many of the nation's priciest dining establishments, prominent restaurateurs in major markets across the country are remodeling, downpricing, and renaming their businesses to cultivate greater frequency of patronage.

"I have to make myself less expensive," explained Ken Frank, chef-owner of the critically acclaimed La Toque in Los Angeles.

Abandoning his protracted battle for a viable share of the city's ultrahigh-end market, Frank plans to cut his $75-per-person tabs nearly in half this summer when the swank La Toque is reborn in a more casual format.

The revamped, renamed restaurant will be geared to-

(See **UPSCALE**, page 232)

**Myers makes exodus from haute to humble**

Former manager of the posh Ritz Cafe changes priorities, opens food stands.

Page 18

# Pioneer of the Year: Rosenberg

## *Founded Dunkin' Donuts chain*

By Charles Bernstein

BOCA RATON, Fla. — William Rosenberg, a colorful entrepreneur with an eighth-grade education, who founded Dunkin' Donuts in 1950 and built it into a leading chain before turning over the reins to his son in the early 1970s, has been named the 1988 winner of Nation's Restaurant News' annual Pioneer award.

MUFSO '88

Rosenberg, who resides here, will receive the coveted award at NRN's annual Multi Unit Food Service Operators conference banquet at the Washington, D.C., Hilton on Tuesday evening, Oct. 4. He will be honored in other festivities throughout the Oct. 2-5 conference.

Rosenberg

"My father did so much for Dunkin' Donuts, for franchising in general, and for the food-service industry that he deserves this award more than anyone," declared his son, Robert Rosenberg, longtime chairman and chief executive of the Randolph, Mass.-based chain and a Harvard M.B.A. who appreciates his father's common-sense approaches and entrepreneurial flair.

With the son building from a foundation set by his father, Dunkin' Donuts has gradually expanded its menu with soup and baked goods, essentially offering a minimeal, and it is by far the leader of its segment with some 1,720 units doing $800 million annual sales in North America and 14 other countries

(See **ROSENBERG**, page 232)

# Sailhac quits '21', 3rd exit in month

Sailhac

By Joe Edwards

NEW YORK — Superstar chef Alain Sailhac has quit as executive chef of The "21" Club, the third top kitchen man to leave the famed but beleaguered midtown restaurant in the last month.

Sailhac will be replaced by Daniel T. Bruce, the restaurant's first sous chef and the former chief saucier at Le Cirque.

Sailhac follows chef de cuisine Geoffrey Zakarian and pastry chef Jose Jensen out the polished brass doors of the 58-year-old former speakeasy.

Zakarian is taking over the Maxwell's Plum kitchen from Kathy Casey, and Jensen is baking desserts at

(See **SAILHAC**, page 232)

## FOOD WATCH

### *Asparagus tricks*

NEW YORK — Chef André Grillou is still pulling more asparagus recipes out of his deft hat at George Lang's Café des Artistes restaurant here.

The latest dish being tried on Lang's extensive asparagus menu is gnocchi wrapped with four staiks of the cold, green vegetable. Eschewing test kitchens in favor of his own gut feel, Lang decided to roll out the new item after a group of food-service mavens lunching at the Café challenged him to come up with yet another asparagus combination. Chef Grillou instantly cooked up the gnocchi-asparagus formula.

The concoction joins the four other items that can be wrapped with four pieces of cold asparagus, each for $18.50—San Pietro prosciutto, bresaola, gravlax, and smoked salmon. Lang is so fond of asparagus, in fact, that he uses the green stalk as his company's logo.

## GLOBAL REPORT

*HAMBURG, West Germany — Restaurants come and go with alarming regularity. The saturation problem is overwhelming and astronomical land costs curb both the size and volume of restaurants.*

By Charles Bernstein
Page F51

*UDINE, Italy — When more than 50 American restaurant and food experts sampled the foods of Friuli, they sampled unusual dishes, which could show up on trendy menus in United States restaurants in the coming year.*

By Joe Edwards
Page F63

*BRIDGETOWN, Barbados — A temporary madness grips this tranquil tropical island when local restaurateurs and hoteliers open their doors to an international panel of cold-eyed inspectors.*

By Tracey Taylor Woodard
Page F72

The Restaurant Challenge: Operators speak out on labor, service — Page F46

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## NEWS DIGEST

# Ore. operators seek curb on hepatitis disclosures

PORTLAND, Ore. — Oregon restaurateurs are urging state health officials not to publicize the names of restaurants employing food handlers diagnosed with hepatitis A except in cases where other employees or customers become infected.

Until recently, state health division officials withheld the names of restaurants with employees diagnosed with hepatitis A unless secondary cases were reported or a serious hygiene and sanitation problem was found. State officials said they changed the policy because since January the number of secondary cases related to food handlers has quadrupled.

In response to the new disclosure policy and the rising number of hepatitis cases in Oregon, restaurant operators have acted to limit their liability by removing salad bars and having employees rinse their hands in a bleach solution.

# Godfather's management seeks leveraged buyout

OMAHA, Neb. — Godfather's Pizza president Herman Cain and executive vice president Ron Gartlan are spearheading an attempt by management to buy the 600-unit chain from Pillsbury Co., a Godfather's spokesman confirmed.

"Negotiations are continuing," he said.

Meanwhile, the bidding for Quik Wok, another Pillsbury fast-food holding earmarked for divestiture, has concluded. Pillsbury is expected to disclose the winning bid within a few weeks.

A sale of Godfather's would be Pillsbury's largest divestiture since it indicated plans to spin off all of its restaurant chains except Burger King, Steak and Ale, and Bennigan's.

# Marriott pens deal for Bickford's chain

WASHINGTON — Marriott Corp. has agreed to buy the 34-unit Bickford's family restaurant chain from Constar International, a manufacturer of plastic packaging, for an undisclosed amount.

The pending acquisition is in keeping with Marriott's plans to buy small regional restaurant chains and convert them to the conglomerate's Allie's all-you-can-eat buffet concept, which is scheduled to debut in June.

Bickford's is concentrated in New England.

# Shoney's operator RMS accepts $47M offer

MACON, Ga. — A group headed by members of Restaurant Management Services' management team has signed a preliminary agreement to buy the 46-unit Shoney's franchise for $11 a share in a deal valued at $47 million.

Robert Sinclair, Restaurant Management's chief executive officer and owner of a 26-percent stake in the company, is not one of the buyers, according to a Shoney's source.

Another Shoney's franchise, Shoney's South of Memphis, Tenn., was recently acquired by TPI Enterprises, a New York holding company.

Shoney's Inc., franchisor of the Shoney's coffee-shop concept, recently divulged plans to curtail the development of company stores, opening the way for licensees to accelerate their expansion.

# Eating, drinking sales slow in April to 3.3%

WASHINGTON — Retail sales at the nation's eating and drinking places slowed in April to a year-to-year growth rate of 3.3 percent, the lowest increase in 1988, according to government figures.

Non-adjusted sales dropped sharply from growth rates of 5.8 percent in March and 5.9 percent in February and were off slightly from January's 3.6-percent gain, the U.S. Commerce Department said. Sales were $12.7 billion compared with year-ago monthly sales of $12.3 billion.

# Vegetable oil is in, tallow out at Hardee's

ROCKY MOUNT, N.C. — In a nod to mounting nutritional concerns, the Hardee's fast-food chain is switching to the use of vegetable oil as the cooking medium for all its deep-fried products, including french fries.

Although many fast feeders fry their chicken products in vegetable oil rather than in beef tallow, 3,000-unit Hardee's is believed to be the first major system to cook its french fries in the lower-cholesterol medium.

Many players assert that fries cooked in animal fat have a better and stronger taste than do those fried in vegetable shortening.

# Ark assumes management of Southern Funk cafe

NEW YORK — Ark Management, an operator of several high-volume restaurants here, has assumed management of Southern Funk, a West Side cafe specializing in Tex-Mex and Cajun fare.

The 1987 Zagat guide described the 42nd Street restaurant as being "reminiscent of an old automat; you may not enter feeling funky, but you're likely to leave that way."

Ark's other places in New York include America, Ernie's, and the Big Kahuna.

# Walgreen seeks to sell freestanding Wag's units

DEERFIELD, Ill. — The Walgreen Co. has disclosed plans to sell the 87 freestanding units of its Wag's family restaurant chain to concentrate on drug store operations.

Walgreen will continue to operate 32 food-service locations for an indefinite period, the company said. Those continuing restaurant operations will include Wag's units in several Midwestern Walgreen stores, and two Robin Hood restaurants.

In fiscal 1987 the company's restaurant operations generated revenues of $119.3 million.

# Rattlesnake, Dierdorf units set for DC's Union Station

WASHINGTON — A Rattlesnake Club, patterned after Jimmy Schmidt's influential Denver restaurant of the same name, and a copy of Dierdorf & Hart's, the famous St. Louis steak house, are moving into the Union Station railroad terminal here, according to other vendors that have leased space here.

The landmark station is undergoing a $120 million renovation that entails the installation of retail outlets and several restaurants.

Also to be included is a duplication of America, the high-volume New York restaurant.

# Staley Continental accepts bid from Tate & Lyle

ROLLING MEADOWS, Ill. — After waiting in vain for a better offer, Staley Continental Inc., the distribution giant, has accepted a sweetened $36.50-a-share takeover bid from unwanted suitor Tate & Lyle P.L.C.

Tate & Lyle said it plans to sell Staley's food-service distribution and manufacturing division to recover up to $650 million of the $1.5 billion transaction. The British sugar giant plans to retain Staley's corn syrup business.

Staley had rejected Tate & Lyle's initial $32-a-share bid.

# Trump, Griffin resume Resorts Int'l feud

NEW YORK — Talks between real-estate magnate Donald Trump and entertainer Merv Griffin have broken off, ending a truce in the battle over Resorts International assets.

Under a handshake agreement, Griffin was to acquire most of Resorts' assets, with Trump keeping the lavish but unfinished Taj Mahal casino hotel in Atlantic City, N.J. Trump, who controls about 88 percent of Resorts, said he had terminated negotiations because Griffin had not proved he could obtain financing.

# New Burger King commercials add sizzle

## *Failing campaign rebounds with new creative*

**By Marilyn Alva**

LINCOLN, Neb. — After bombing with the first pool of commercials under its new "We Do It Like You Do It" campaign from N.W. Ayer, Burger King's advertising appears to have picked up steam thanks to the infusion of new creatives.

NRN Adtrack

The Nation's Restaurant News Adtrack poll showed that advertising awareness levels for Burger King jumped four percentage points in April. That was after the humorous "Backyard Fry" commercial was hastily placed on network and the Whopper versus Big Mac "Contenders" spot began running.

Meanwhile, Wendy's "Hamburger A" commercials, which initially bettered awareness for the chain, appeared to have lost steam, with consumer recognition for the chain's advertising dropping for the second straight month, to six points.

Wendy's decline in advertising awareness, meanwhile, is a sharp reversal from February's, when the introduction of its newest "Hamburger A" spots helped it gain a 3-percent point leap, to nine percentage points.

In the NRN poll SRI Research Center Inc. here asked a representative sample of 1,000 consumers across the country, "Of all the fast-food advertising that you have read, seen, or heard in the last month, which advertising first comes to mind?"

McDonald's, which spends more than twice as much on advertising as Burger King does, continued its commanding lead in advertising awareness with a 46-percentage-point score, a gain of one point from that of the previous month.

Burger King's April score, in contrast, was 16 points, a substantial increase from the 12-point ranking it received in March.

Hardee's, whose advertising awareness levels have been fluctuating by two points over the last several months, was down two points in April, to three percentage points.

Burger King's poorly received initial pool of commercials featuring a flame-broiling strategy with a backyard barbecue tasting theme was pulled from the air April 3 and has not run since, according to N.W. Ayer.

"Burger King liked 'Backyard Fry' so much they asked us to rush it on air as soon as possible," said Jack Rayher, N.W. Ayer's Burger King account supervisor.

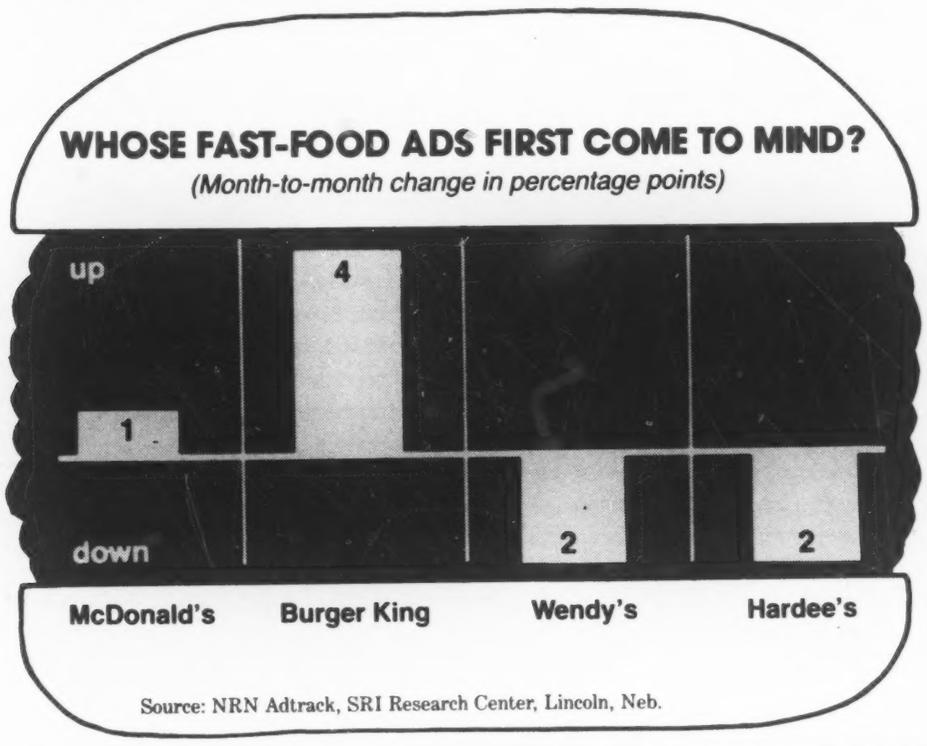
The 30-second spot shows people in varying circumstances cooking burgers in absurdly large frying pans with voice-overs saying, "Do people really like their burgers fried? Then how come everyone doesn't have backyard frying pans instead of backyard barbecue grills? How come there aren't port-o-fries for the beach? . . . tail gate fryers for the game? . . . or public frying pans? Maybe because the way you really do it is the way you like it . . . flame broiled."

Soon after, on April 4, the "Contenders" commercial was also placed into action. That spot was based on a survey revealing that three out of four people preferred the Whopper to the Big Mac because of the taste.

N.W. Ayer, which last fall replaced longtime Burger King ad agency J. Walter Thompson, recently presented another set of commercials for Burger King's approval. Meanwhile, local markets are now running various burger promotions.

In Western states Isuzu has teamed with Burger King to promote the burger chain's new Big Cheese sandwich and the auto company's new pickup truck, the Big Joe. Television ads feature Joe "the liar" Isuzu.

**Ad parodies McD's by showing people using giant fry pans.**




Source: NRN Adtrack, SRI Research Center, Lincoln, Neb.

# *Eli Schulman: host to Chicago . . . and to the world*

**By Carolyn Walkup**

CHICAGO — Eli Schulman loved working at his restaurant, Eli's the Place for Steak, so much that he rarely took a day off.

Schulman worked there up to the day he died, May 7, of an apparent heart attack at age 78.

His son, Marc, plans to continue running both the restaurant, a member of the Nation's Restaurant News Fine Dining Hall of Fame, and a retail and wholesale company that markets the restaurant's signature dessert, Eli's Chicago's Finest Cheesecake.

Eli Schulman typically worked every night at his restaurant, greeting a host of celebrities with an amiable handshake and a ready smile. A former Democratic precinct captain and deputy coroner, he felt particularly comfortable with politicians.

"Everybody who's anybody has been here," Schulman said in a recent Nation's Restaurant News interview.

In spite of attracting highbrow clientele, Schulman believed in treating guests equally, refusing to let the doorman take tips for tables. He honored reservations and made everyone adhere to his dress code.

He also offered value, including a relish dish, salad, a potato, and bread and butter with all entrées. Schulman never forgot his humble beginnings as an immigrant on the West Side and donated a large percentage of his profits to charities.

"I had every job that you can think of," he said, before opening his first restaurant, the Ogden Huddle, just before World War II. Before leaving to fulfill draft duty, he began offering discounts or free meals for servicemen, a policy continued for four years.

When he returned from the Army, he opened an uptown grill, followed by Eli's Stage Deli in the Rush Street entertainment district. The next was Eli's, the white-tablecloth restaurant he had dreamed of, in 1966, and it quickly became a favorite of local and visiting celebrities.

"I haven't changed the menu much," said Schulman, who found his customers liked it the way it was and often trusted him to order for them. Although he introduced fish and lighter items years ago, beef remains 80 percent of sales.

**Eli Schulman in a characteristic pose with the cheesecakes that made him famous.**

The most popular items are a variety of broiled steaks, whole slabs of baby back ribs, and calves' liver sautéed with onions, green peppers, and mushrooms. While many types of cheesecakes have been added, the original plain one is the top seller.

Marc Schulman called Eli's "more like a living room than a commercial restaurant." Large portraits of his two young daughters, Schulman's only grandchildren, hang prominently in the restaurant.

Other survivors are his wife, Esther, and two sisters, Bertha and Florence.

# Arby's rolls out Polar Swirl shakes

**By Karen Bruno**

ATLANTA — Arby's is extending its dessert line with Polar Swirl—five varieties of shakes made with crushed candies and cookies.

The rollout is in line with Arby's strategy to boost sales in off-meal periods by adding cookies, buns, and other snack items to the menu.

The new shakes will retail in the roast beef chain's 1,875 units for $1.49 or $1.59.

**Arby's candied shake**

Last November the chain expanded a test of in-store kiosks featuring cookies and ice cream called Arby's Flour Pot Gourmet Foods.

"We expect to have between 20 and 30 kiosks in company-owned units and 10 to 20 in franchised units by the end of the year," said Ira Herman, vice president of operations for Arby's.

The kiosks feature cinnamon buns and coffee in addition to 12 varieties of cookies.

The Polar Swirl shakes are made from Arby's existing bases of chocolate, vanilla, and jamocha. Crushed Heath Bars, Butterfinger candy bars, Oreo cookies, Snickers, or Reese's Peanut Butter Cups are added to the mixture, which is then topped with whipped cream and served in a plastic cup.

"We're using these candies and cookies because the consumer knows them," Herman said. "We may sell the shakes through the kiosks at some point.

"We expect the shakes will do well in the summer and throughout the winter in the warmer states where many of our units are located."

Food costs for the shakes are low. The cookies and candies are ground up before reaching Arby's units and then added to the shake base.

The shakes were tested for six months in Arby's home market here and in Phoenix, Ariz., and Charleston, S.C.

Product support includes TV, radio, newspaper advertising, and in-store point-of-purchase materials.

# *Temperature flexibility is the key in refrigeration systems*

Refrigeration—both refrigerators and freezers—is one of the pet peeves of many operators. It's not enough, or it's too much of one type and not enough of the other, or it's not conveniently located. The good news is that a solution is available.

No one complains about the way refrigeration operates. Every decade refrigerators and freezers have improved. Today they hold temperatures

more reliably, they're easier to clean, and the interior setups are more adaptable to the needs of the food-service operator.

You can get just about any style of refrigerator or freezer imaginable—small mobile units and huge boxes that a forklift truck can be driven into. And that includes just about any style and size in between.

You will find reach-ins and pass-throughs. Or those that take roll-in racks and space-utilizing under-counter models. You might want refrigerators and freezers with hinged doors, with half doors and with sliding doors.

You can get solid doors or see-through doors. And you can get units with drawers instead of doors.

Refrigeration systems are getting more efficient all the time. Compressors are smaller, thermostats are more reliable, insulation is more effective. You can get units with remote compressors so they don't add to your kitchen heat load.

But don't hold off buying while you wait for revolutionary breakthroughs. Manufacturers are fighting for every advance they make.

Despite those efficiencies, one of the big problems with refrigeration in the average operation is that it's not at all flexible. Unless you've got a brand-new place, you're probably dissatisfied with your refrigeration setup. After all, it was specified and installed before anyone really knew what the operation would finally turn out to be.

The menu it was planned for, the type of products it would hold, even the volume of customers that would develop, were all estimates. And conditions don't always stay the same.

But even though the basic premise might change, the refrigeration can't. Not without a lot of major remodeling in most cases. Refrigeration is nothing but highly specialized storage space.

Storage space of any kind is at a premium in the average back-of-the-house. In most operations the only way to expand refrigeration space is by putting in more outside the kitchen. But that's inconvenient for the preparation staff, which has to use the supplies stored in the new location.

When refrigeration is installed, more concern is usually voiced about its physical specifications than the possibility that it might have to be expanded. Most kitchen designers concentrate on capacity, temperature holding, the materials, and the features, such as movable shelves. All too often, little thought is given to what changes in need may occur.

In the '50s and '60s, the move from canned to frozen foods outmoded the storage capacities of tens of thousands of food-service kitchens. Many operators had freezers erected behind their buildings or in parking lots, because no space existed for frozen food storage in their kitchens or store rooms.

In the '70s, who would have anticipated the number of operations that would install salad bars? And who would have foreseen the additional refrigerator space that would require? Much of that new refrigeration space was crowded into prep rooms or stuck in back room or basement storage areas.

The continued move to "fresh"—which often means refrigerated—puts an extra burden on refrigerated space. As more operations move to fresh vegetables from frozen, from dry to freshly made pasta, to elaborate signature salads, the need may swing from frozen space to refrigerated space.

In other operations a switch to advance preparation and freezing until use may change the requirements around the other way. In either case the situation may be too much of one and not enough of the other. And little can be done with existing equipment except to add more of what you lack.

If you've got banquet business, the pinch may be even more severe. The need to prepare large quantities in advance, whether fruit cups, salads, or oven pans of entrées, calls for refrigeration space that varies according to the size and frequency of banquets.

I started out by saying a solution is available. Yes, and it's been available long enough to have been thoroughly tested in actual use. So no pioneering is involved.

The answer to the need for flexibility turned out to be simple. It's a unit that can be transformed from a refrigerator to a freezer and back at the flip of a switch plus a short period for the system to adjust to the selected temperature.

It's available from more than one manufacturer. It may be called a refrigerator-freezer or a dual-temperature unit. But be careful of systems with that last designation.

Some makers use it to refer to units that have two separate compartments, one set for cooling and one for freezing. The ones we're discussing are switchable from one temperature range to another.

With today's technology, the switchable units are in no way surprising. Freezers and refrigerators come in the same sizes. Insulation for both is the same: Highly efficient polyurethane plastic is generally used.

The principle of refrigeration is the same. The only difference is that a refrigerator normally operates in a small range above and below 38 degrees, while a freezer operates at zero. By supplying a refrigeration system capable of maintaining zero degrees plus a thermostat with two ranges, a dual temperature unit results.

*The move to 'fresh' puts an extra burden on refrigerated space. As more operations move to fresh vegetables from frozen, from dry to freshly made pasta, the need may swing from frozen space to refrigerated space.*

New York consultant J.R. Bradley says the ideal arrangement is a bank of three units. The first is a refrigerator, the second is a dual-temperature unit, and the third is a freezer. Have a heavy load of refrigerated items? Switch the middle unit to 30 degrees, and you have two refrigerators, one freezer.

A big load of frozen? Switch the middle unit to zero, and you have two freezers.

Dual-temperature refrigerator-freezers are available in a number of styles and capacities. You should be able to find a model, no matter what size you want, that will meet your needs or your future plans. The flexibility is well worth the few dollars more such a dual-temp unit will cost.

*Patt Patterson, a Nation's Restaurant News contributing editor, is the author of the Purchasing & Commodities column. Beginning with this issue, his Equipment column will alternate with Purchasing & Commodities.*

# Owners not first to the finish line in the race for restaurant salaries

WASHINGTON — If you think you could make more money by owning your own place, you might be surprised.

In 1987 restaurant owners with a median base salary of $42,000 earned $34,500 less than chairmen of the board, $13,000 less than company presidents, and $11,000 less than vice presidents of finance, according to a National Restaurant Association survey of wages and benefits.

The "Survey of Wages and Benefits for Salaried Employees and Executives in the Foodservice Industry—1987" was conducted in October and September 1987 in cooperation with accounting and consulting firm Laventhol & Horwath.

The study lists the compensation for 23 salaried and executive positions.

The data were derived from the responses of more than 1,500 food-service operators, representing 19,200 units and employing more than 763,000 workers, said Anne Papa, a National Restaurant Association representative.

**COMPENSATION FOR FOOD-SERVICE EMPLOYEES AND EXECUTIVES – 1987**

| Position | Median annual base salary | Median annual bonus* |
|---|---|---|
| Owner | $42,000 | $15,000 |
| Chairman of the board | 76,500 | 40,000 |
| President | 55,000 | 20,000 |
| VP-Operations | 45,000 | 10,000 |
| VP-Finance | 53,000 | 10,000 |
| VP-Marketing | 42,000 | 9,900 |
| VP-Personnel/Human resources | 30,000 | 6,000 |
| VP-Distribution/Purchasing | 34,000 | 6,000 |
| Treasurer | 26,000 | 10,000 |
| Controller | 32,000 | 4,000 |
| Training director | 32,000 | 6,000 |
| Food and beverage director | 30,000 | 4,650 |
| Banquet manager | 19,500 | 4,000 |
| Unit manager | 24,000 | 4,000 |
| Assistant unit manager | 18,000 | 2,000 |
| Night manager | 18,200 | 1,250 |
| Manager trainee | 15,600 | 1,200 |
| Dining room manager | 18,950 | 1,500 |
| Kitchen manager | 19,500 | 1,500 |
| Executive chef | 30,441 | 3,600 |
| Chef | 23,000 | 2,000 |
| Regional manager | 40,500 | 6,000 |
| District manager | 35,000 | 6,350 |

*Only for positions reporting annual bonus
Source: National Restaurant Association

NRN Photo

**Exterior of the remodeled Sizzler in Atlanta.**

# Sales jump at Sizzler units in Atlanta after remodeling

ATLANTA — Sizzler Restaurants International Inc. is capturing huge sales increases at two remodeled Steak Seafood Salad dinner houses in this market, area manager Roberto Ruiz said.

At the remodeled Piedmont Road location near Atlanta's Buckhead district, volume is up 73 percent. The other renovated unit, in northeastern Atlanta, is also showing impressive gains, Ruiz said. Sales overall are up 35 percent in Atlanta, where Sizzler operates 12 restaurants, Ruiz said. They are "going great," the area manager said.

A key contributor to that is the enlarged salad, pasta, taco, and tostada bar. The contemporary brass, glass, and ceramic tile concept with 100 food items was developed in Los Angeles, Ruiz said.

The make-your-own Mexican bar features a dozen taco and tostada items, including beef, beans, onions, jalapeño peppers, grated and melted cheese, guacamole, sour cream, and hot salsa. The pasta bar features Alfredo, Parmesan, and white clam sauces.

"The concept isn't new, but the new, upsized look really made a difference," Ruiz said, adding that Sizzler is breaking ground for another unit in suburban Stone Mountain.

"I think this market can hold 25 Sizzlers," noted Ruiz, who is eyeing Buckhead, Roswell, and Marietta for future units.

# FOCUS | VIEWPOINT

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# The Karcher case: much ado about little

What did chairman Carl Karcher tell his younger brother, president Donald Karcher, and when did he tell him? What did the two executives then tell 13 other members of their families?

These questions are seemingly crucial in a $1 million civil-court damage suit filed by the Securities and Exchange Commission against the two executives and members of their families. Yet we wonder whether the answers are really so earthshaking and whether the entire episode is much ado about nothing.

We have been adamant in this column that in today's era of insider trading scandals, ethics must be maintained to the highest degree and cannot be compromised. One should not underestimate the importance of integrity and character in today's business world, amid a supercharged financial atmosphere and a constant quest for more profits by public companies and their eager stockholders.

Still, in this particular case it is difficult to fathom why the charges were brought against two brothers who have set the finest example of moral integrity and dedication. They have run an unquestionably honest business throughout the 45 years that they have built Carl Karcher Enterprises from a tiny California hot-dog stand to the thriving 440-unit Carl's Jr. fast-food burger chain.

They have encountered adversity, particularly when they went public five years ago. But they have persevered through ups and downs.

What do the charges consist of? Allegedly, that just before the release of a 1984 earnings statement, with a severe earnings drop, Carl Karcher discussed the matter with Donald Karcher. Then the two purportedly mentioned the situation to their children and others in the family.

The families thus were able to sell their stock to prevent losses and thereby managed to gain a total of some $300,000, the complaint alleges.

We feel that the civil suit and the resultant publicity border on the absurd. The matter has already escalated to implied guilt by innuendo, although not one securities law violation has been proved to the slightest degree in the four-year-old case. Carl Karcher said that neither he nor his wife sold any of their stock at the time and that neither told anyone else—family members, relatives, or friends—to do so. We take him at his word.

Furthermore, is it reasonable to suggest that it is wrong for a father and children to mention earnings results along with a lot of other things that they might be discussing within the family? We believe that if any such talk occurred, it would be more indicative of a close family relationship than of any type of fraud.

Irving Einhorn, the SEC's Los Angeles director who spearheaded a three-year investigation of the matter and filed the charges, also has been a subject of innuendo. The implication is that Carl Karcher was targeted and set up—possibly by an enemy or a discontented employee.

While we do not agree with the charges filed by Einhorn, we think he is acting in good faith to uphold the law as he sees it. "We have to show people that you don't tell your brother, you don't tell your family, you don't tell your friends, you just don't do it," he declared.

We believe the government has made a mistake in ever filing such charges, in seeking civil cash penalties "for losses avoided from stock transactions," and in trying to enjoin the defendants "from future securities violations."

When one considers that Carl Karcher has been one of President Reagan's staunchest supporters since his California governor days and that the two men are good friends on a first-name basis, it is even harder to believe that the charges represent any effort to smear Karcher.

Unfortunately, the net result has been to besmirch and humiliate the brothers, who have always stood for patriotic ideals and high standards. They might have slipped a bit in judgment that one time but not in any moral or criminal sense.

Let us remember that anyone can bring charges against anyone else for anything in our democratic system, that the charges are strictly civil ones, and that the accused is presumed innocent.

In any case the Karchers can still hold their heads proudly and highly. Any possible transgression was apparently so minor that it makes the government's case ludicrous.

## LETTERS

### *Industry is the problem and solution of turnover*

Editor, NRN:

The March 14 issue had several Viewpoint articles that cried out for a response, not a response of debate or disagreement, but one of agreement and mutual concern.

David Bennett was pleading a case for the quick-service restaurant industry in regard to the dire lack of qualified, dedicated, and loyal employees. He urged restaurateurs to do a better job of recruiting, to work harder at selling the potential inherent in the position, and presumably to create in each employee a desire to be a lasting member of the company's family.

Philip Wiggle shared with us the observation that a lack of organization gives us the 12-to-16-hour-a-day manager. He described that manager as not being able to respond to questions regarding operational profit or loss, as seldom, if ever, provided with the concepts of organization, training, delegation, and goal setting. Indeed, companies who provide their managers with such training are able to avoid chapter 11 bankruptcy.

Finally, Dr. Zemelman described how his company offers advancement to everybody—from waiters to vice president—but admitted the industry is a dead-end industry. He, too, asks, How do we recruit, how do we sell our quality product and service? He referred us to the dinosaurs of the industry who think that the ability to cook is essential to knowing how to run a restaurant. I couldn't agree more.

It seems that we are confronted with the following:

How do we interest young people in our industry? How do we get them to invest their future with us? How do we retain their investment in our industry?

Since the hospitality business has roots that go back to the beginning of time, we have always known that we have run a poor second to the leaders. Why is it that we refuse to learn from those who do succeed at solving similar problems?

Why don't we glamorize what we do? Why don't we treat our people with respect? Why don't we offer them the opportunity to be proud of their contributions?

I read in our local paper not long ago that my delivery boy had won a $10,000 scholarship for college, which was nice because his sister won one five years ago.

When we hire a boy or girl to start in an entry-level job, how much attention is given that person, besides the usual training manual dogma? Does the manager assign a big brother or sister to that person? Do each of the supervisors check in with the new person and welcome him aboard, and does the manager take the time daily to see how the newcomer is doing?

Then, as the new person learns his job, is he being evaluated and coached? Work coaching is the key to newly hired employees' success and durability. If that player is in the wrong position, a coach will find a better place for him or her.

If the player needs polish, the coach will provide it. A boss will fire him and start over with the next recruit. The coach has a stronger, more durable player in a win-win situation.

Finally, how do we keep the employees investing their assets—their time—in our business? Everyone wants to see progress, everyone wants a piece of the pie, and everyone reacts accordingly.

I read in the paper not long ago that a small manufacturing firm paid its employees an annual bonus. It was derived from profits. Each employee more than doubled his wages as a result of his efforts on behalf of the firm. I wonder if that company has a very high labor turnover problem. We spend thousands, even millions of dollars, on hiring, training, and other programs. Couldn't we spend some of that money on incentive and wage programs?

Everywhere we go we hear people in the industry complaining about turnover and our loss of competence. Many are definitely concerned about where we will be in 10 years. I agree with Zemelman, Wiggle, and Bennett. We have a serious problem, but just as we are the reason for it, we are the only solution.

The solution does not come from the other guy because the person who wakes up and figures out how to attract the best, develop a dedicated staff, and share a piece of the pie will not have to worry about the future. His staff will be doing it for him.

—**Calvin C. Ford**
Caring Food Service Inc.
Honolulu

6/6/88 C5150-5

NEWSPAPER

***The labor crisis: finding solutions***

Focus section follows page 34

***Operators ans... Restaurant Ch...***

Focus section/Page F12

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...Charles Bernstein/Page F3

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# Chinese delivery on a roll

## *Independents, chains flock into hot market*

**By Jack Hayes**

Chinese home delivery, the infant food-service concept orphaned by two major chains after failed efforts in Texas and the Midwest, is finding a new home with generous independent foster parents in several East Coast markets.

Furthermore, independent Chinese operators in other cities across the nation are looking hard at starting up, expanding, or even reviving earlier experiments with home delivery.

Despite the recent sale of Minneapolis-based Leeann Chin by General Mills and the abandonment of home delivery at Pillsbury Co.'s Quik Wok in Texas and Louisiana, a host of new operators are emerging.

The pacesetters include:

- Hop Too's, a Fort Lauderdale, Fla.-based start-up operating in Broward, Dade, and Palm Beach counties, has nine more stores in physical development across Florida and ambitious plans for expansion via franchising.
- Mr Ching, a year-old player in the Chinese home delivery segment, projects 10

*(See **CHINESE**, page 7)*

**Mr Ching delivers volume in Atlanta**

The year-old experiment is nearing $500,000-a-year sales at three units in the suburbs. Seven more outlets and a move into town are on the menu.

**Page 7**

NRN photo

**General manager Jay Rice in Salty's dining room.**

## *Salty's sparks smiles at Happy Guests*

**By Alan Liddle**

PORTLAND, Ore. — With a panoramic view of the Columbia River, the new Salty's here can't help presenting a bright face to the patrons who pile in daily.

The fourth Salty's waterside seafood restaurant opened by Happy Guests International in the Portland and Seattle area, the Columbia unit did more than $1 million in sales in its first quarter. General manager Jay Rice is projecting a first-year volume of as much as $5 million for the 300 seater situated between Portland and Vancouver, Wash.

He expects sales to pick up in the coming months because warmer weather means Salty's can use its 185 deck seats. Also fueling optimism is the opening of a fish-and-chips window this month.

Successfully meeting first-year sales projections would make the operation one of the region's highest-grossing res-

*(See **SALTY'S**, page 78)*

# New survey diagnoses heavy health-plan costs

**By Ken Rankin**

WASHINGTON — Pending legislation mandating employer-paid health insurance benefits for both full- and part-time workers would increase payroll costs for the typical small restaurant (with less than $500,000 in annual sales) by an average of $18,500, according to a new study released by the National Restaurant Association.

However, the survey found that even large fast-food chains and other food-service operations that now offer health insurance coverage for their employees would face substantial cost increases if the legislation is enacted.

At Marriott, for example, it has been estimated that a federally mandated health benefits law would boost the company's annual personnel costs by $100 million—nearly half of Marriott's total net profit for 1987.

The bill, introduced last year by Sen. Edward Kennedy, D-Mass., and Rep. Henry Waxman, D-Calif., would require all employers to provide comprehensive health insurance coverage to all employees who work at least 17.5 hours per week.

At a minimum the bill would require companies to furnish insurance covering inpatient and outpatient physician and hospital care, mental-health benefits, prenatal, and well-

*(See **HEALTH**, page 78)*

# Cano breaks from El Torito for own venture

**By Richard Martin**

NEWPORT BEACH, Calif. — Mexican dinner house pioneer Larry Cano, the founder and president of El Torito Restaurants, has left parent company Restaurant Enterprises Group Inc. to form a new dinner house development firm.

**Larry Cano**

Cano's company will continue to work with the chain he launched 34 years ago under a two-year contract to manage eight of the chain's highest-volume specialty

*(See **CANO**, page 78)*

## FOOD WATCH

### *Catfish at the Kremlin*

MOSCOW — Negotiators, dignitaries, and nearly 4,500 journalists at the Reagan-Gorbachev summit here in early June will dine on a distinctly American dish—catfish prepared with Cajun spices by Louisiana restaurateur and chef John Folse.

Folse is the owner of four restaurants, including Lafitte's Landing in Donaldsville, La. He will set up a temporary American restaurant the week of the summit in the hotel restaurant of the World Trade Center in Moscow, where American negotiators will be staying.

Although many types of American food will be offered, catfish will be used for all the fish entrées, such as blackened catfish and seafood gumbo.

"We should make catfish a household word," said Folse, who has set up similar ad hoc restaurants in Canada, Spain, Japan, England, and Hong Kong.

**—Ken Frydman**

MUFSO '88: 12 nominated for Golden Chain awards — Page 4

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Vol. 22, No. 22 May 30, 1988

# NEWS DIGEST

## Pizza Hut begins rollout of Hand-Tossed Traditional

WICHITA, Kan. — In an effort to wring more business out of pizza parlors' best customers, Pizza Hut has begun the chainwide rollout of its Hand-Tossed Traditional pie.

The new item features a crust that is thinner than Pizza Hut's pan pizza but thicker than that of the chain's conventional pies.

The Hand-Tossed pie, which has been extensively tested, is targeted at "a substantial segment of what the industry terms the 'heavy pizza user,'" said David Novak, Pizza Hut's senior vice president of marketing. "This group eats pizza more than twice as often as the national average.

"If Hand-Tossed Traditional pizza can help us capture just one more visit a month from this group, our system's annual sales will go through the roof."

## Chipwich founder partying his way into home delivery

SECAUCUS, N.J. — Richard LaMotta, the inventor of the Chipwich ice cream novelty, has launched a home delivery business that he says will become the Avon of the food industry.

Called Sundborn Ltd., the company offers some 200 types of nitrogen-frozen foods processed by small companies throughout the country. Patrons can order the products via catalogs or at parties similar to those used by Tupperware, the housewares company, to sell its wares.

The Sundborn catalog is illustrated with color photographs of frozen appetizers, entrées, desserts, snacks, and breakfast items. Children's selections and reduced calorie items are included. Complete theme menus are also suggested.

Prices range from $1.25 for a 5-ounce package of egg linguine to $32 for a 40-ounce rack of ribs. Items are delivered within 24 hours, packed on dry ice.

## Tony May opens NY version of Italy's San Domenico

NEW YORK — A Manhattan version of San Domenico, a highly regarded restaurant in Imola, Italy, has opened at 240 Central Park South near Eighth Avenue, the former home of Alfredo, an Italian restaurant that was on the site for years.

For the opening of his fourth New York restaurant, owner Tony May brought in Gianluigi Morini, who operates the San Domenico in Imola, and his chef, Valentino Marcattilii.

May, who used to manage The Rainbow Room, owns Palio, a pricey midtown Italian restaurant featuring regional specialties; Sandro's, a more casual trattoria; and La Camelia, which features traditional southern Italian food.

## Gorin's dipping stores add hard-scoop yogurt

ATLANTA — Gorin's Homemade Ice Cream, a 30-unit string of dessert and sandwich shops, is adding a line of hard-scoop yogurt in eight flavors under the name Gorin's-Style Frozen Yogurt.

The flavors include banana, blueberry, raspberry, strawberry, banana-blueberry, banana-strawberry, chocolate almond, and peanut butter fudge.

Each Gorin's Homemade Ice Cream unit will carry at least three variations, said Mark Kaplan, Gorin's chief executive.

The new yogurt line is priced just like Gorin's ice cream—single scoops at $1.19 ($1.55 with homemade cone) and double scoops at $2.19.

## Southland, in about-face, buys stores from National

DALLAS — Southland Corp. has inked an agreement to buy 43 convenience stores in Las Vegas, Nev., from National Convenience Stores Inc. for an undisclosed amount.

Houston-based National Convenience said it would use the proceeds to reduce debt.

Ironically, Southland, which has also been diffusing debt by selling assets, sold 270 stores to National Convenience in January.

Southland, which owns and operates 7-Eleven stores, currently has 113 units in southern Nevada.

## Dairy Queen operator sells 31 units to Houston investor

OKLAHOMA CITY — Dunn's Dairy Queen & Brazier has sold its 31 Dairy Queen restaurants located in 17 cities in Oklahoma to the Oxford Group, a Houston-based investment banking group, for an unspecified amount.

The stores, which are franchised from 5,000-unit, Minneapolis-based International Dairy Queen, grossed about $9 million in 1987.

Aside from renaming the group DQ Enterprises Inc., the new owner of the restaurants said it didn't plan any changes.

## Howard Johnson franchisor slates orange-roof revamp

SOUTH WEYMOUTH, Mass. — Franchise Associates Inc., the franchisor of Howard Johnson restaurants, has hired a design firm to develop a new look for the familiar orange-roofed concept.

FAI plans to use the new format as an expansion vehicle, said the design firm, S&A Consultants of San Francisco.

The West Coast concern said it has also been assigned the task of developing a new look for Howard Johnson's menus and uniforms.

## *McD's rolls equipment innovations*

OAK BROOK, Ill. — McDonald's said it is rolling out several new pieces of equipment, including an in-store minicomputer, a high-speed toaster, and a clamshell grill, in an attempt to shave labor requirements.

"Equipment innovations can make McDonald's a better place to work, and employee retention is a crucial concern," senior vice president Bob Beavers told shareholders during McDonald's recent stockholders meeting here.

The fast feeder also revealed at the meeting that it will license units in the U.S.S.R. to citizens' cooperatives, and that two out of every five new stores will be developed overseas. Executives said that the world's largest food-service concern plans to open or franchise 550 units in 1988.

Ed Rensi, president and chief operating officer of McDonald's USA, confirmed that the fast-food giant is testing such regional products as a steak biscuit sandwich and a sausage gravy item.

Also under consideration, he said, are breakfast tortes, a chicken sandwich, and McPizza.

Although McDonald's Cheddar Melt, a short-term promotional hamburger, "was very successful on a limited basis," it was "not successful enough to put it on the menu," Beavers said in response to a shareholder's question.

Both Beavers and Jack Greenberg, McDonald's chief financial officer, effusively praised the chain's new in-store processor, a unit-level computer that uses a piece of proprietary software to streamline certain managerial responsibilities.

That "little computer wizard" pares a unit manager's work load by hours each week, allowing him or her "to spend more time with employees," Beavers said.

About 2,000 McDonald's have already been outfitted with a clamshell grill, which simultaneously cooks both sides of a hamburger.

To complement that new item, McDonald's has developed a bun toaster that warms the bread in 35 seconds rather than the 55 seconds needed for a conventional toaster. "We're currently working on an 18-second toaster," Beavers said.

# 12 nominated for Golden Chain awards

## *NRN readers to pick six winners by ballot*

NEW YORK — Twelve leading food-service chain executives have been nominated as candidates for Nation's Restaurant News' 1988 Golden Chain awards as food-service operators of the year.

MUFSO '88

Readers of NRN will select six Golden Chain winners from the 12 in a ballot to be printed in an upcoming issue. The six winners will be honored at NRN's annual Multi-Unit Food Service Operators awards banquet at the Washington, D.C., Hilton and Towers Tuesday evening, Oct. 4.

One of the six will be elected MUFSO Operator of the Year by the MUFSO Academy, consisting of all annual Operator of the Year and Golden Chain winners dating back to 1971.

Jack Laughery, chairman of Imasco USA (Hardee's), was last September's NRN MUFSO Operator of the Year at the Century Plaza Hotel in Los Angeles.

For details on the Oct. 2-5, 1988, MUFSO conference, please contact Chris Hernandez at (212) 371-9400, Ext. 282 or 283.

The 12 Golden Chain nominees, in alphabetical order:

- Alvin Copeland, chairman, Popeyes Famous Fried Chicken, New Orleans.
- Fred Gonzales, president, JB's Restaurants, Salt Lake City.
- Jack Goodall, chairman, Jack in the Box, San Diego.
- Edgar W. Ingram III, president, White Castle System, Columbus, Ohio.
- T. Mark McCall, president, Ryan's Family Steak Houses, Greenville, S.C.
- Thomas Monaghan, president, Domino's Pizza, Ann Arbor, Mich.
- Steven Reinemund, president, Pizza Hut, Wichita, Kan.
- Larry Ritter, president, Rax, Columbus, Ohio.
- Leonard Roberts, president, Arby's, Atlanta.
- Jeff Rogers, president, USA Cafes (Bonanza), Dallas.
- Hal Smith, chief executive, Chi-Chi's, Louisville, Ky.
- Robert Wood, chief operating officer, Bob Evans Farms, Columbus, Ohio.

Three of the 12 nominees are from chains headquartered in Columbus, Ohio, long a center of food-service chain activity.

The criteria for the awards are long-term contributions to a particular chain and to the industry in innovation, training and motivation, and quality and consistency.

# Poll: AIDS-infected staffers scare away customers

## *But nearly half of respondents think workers with AIDS should get disability, not ax*

**By Bill Carlino**

NEW YORK — Restaurants would suffer a significant drop in business if customers learned a waiter or a cook had contracted Acquired Immunity Deficiency Syndrome, according to a recent Louis Harris survey.

Of 1,250 people interviewed by telephone in the American Management Association-commissioned poll, 30 percent stated they would "definitely stop" eating in a restaurant if they discovered a waiter had AIDS, while 26 percent indicated they would "probably stop" going.

However, if a cook became infected with AIDS, 42 percent of those surveyed would terminate their patronage despite a Centers for Disease Control claim that the virus cannot be transmitted through food.

Although fear of exposure from infected food would drive customers away from restaurants, just 13 percent of those surveyed thought that a waiter with AIDS should be let go, while nearly half of them (47 percent), believed that he should be placed on disability.

Nine percent of survey respondents voted to keep a waiter with AIDS on payroll but advised the owner to inform customers of the situation. Sixteen percent said the owner should retain the waiter but protect customers against infection.

Similar results were obtained regarding a cook's status. Sixteen percent were of the opinion that the owner or manager should fire him, while 52 percent said he should be placed on disability.

**What would you do if you learned a cook at the restaurant had contracted AIDS?**
(in percents)

| | |
|---|---|
| Continue to go | 7% |
| Probably continue | 18 |
| Probably stop | 30 |
| Definitely stop | 42 |
| Depends | 1 |
| Undecided | 2 |
| Refused to answer | — |

Source: Louis Harris

**What would you do if you learned that a waiter at your favorite restaurant had contracted AIDS?**
(in percents)

| | |
|---|---|
| Continue to go | 10% |
| Probably continue | 28 |
| Probably stop | 26 |
| Definitely stop | 30 |
| Depends | 2 |
| Undecided | 3 |
| Refused to answer | — |

Source: Louis Harris

**What should an owner do if he learns a cook has contracted AIDS?**
(in percents)

| | |
|---|---|
| Fire cook | 16% |
| Keep him, tell patrons | 8 |
| Keep him, tell no one | 13 |
| Put him on disability | 52 |
| Depends | 5 |
| Undecided | 6 |
| Refused to answer | 1 |

Source: Louis Harris

**What should the owner of a restaurant do if he learns one of his wait staff has contracted AIDS?**
(in percents)

| | |
|---|---|
| Fire waiter | 13% |
| Keep him, but tell patrons | 9 |
| Keep him, tell no one | 16 |
| Put him on disability | 47 |
| Depends | 5 |
| Undecided | 10 |
| Refused to answer | 1 |

Source: Louis Harris

"What restaurants and other industries need is not termination, but education," said Keith O'Connor, an attorney for the New York City Human Rights Commission. "If an owner feels that the fear of AIDS is becoming a problem for his staff, he should arrange for a public health official to come and speak on the subject.

"In a restaurant in a large city like New York or Chicago, there's an excellent chance that at least one worker would test positive for the human immunodeficiency virus," O'Connor said. "Legally, you cannot fire a food-service worker because he has AIDS or even change his position to get him away from food. If the disease has progressed to the point where he's too ill to work, then he can be placed on disability."

In 1985 the Supreme Court ruled that the AIDS virus must be classified a handicap under the federal Vocational Rehabilitation Act of 1973.

In School Board of Nassau County vs. Airline, the court held that persons impaired by contagious diseases should be classified as handicapped under the federal Rehabilitation Act and thus entitled to protection from discrimination for a job in which they were otherwise qualified.

The CDC estimates that between 1 million and 1.5 million Americans carry the AIDS virus.

The complete results of the survey are published in "AIDS: The New Workplace Issues" (American Management Association, 1988).

# Bernstein wins award for Soviet Union report

NEW YORK — Charles Bernstein, chief editor of Nation's Restaurant News, was awarded first prize this month for general reporting excellence in the annual competition of the New York Business Press Editors.

He won the coveted award for his 70-page exclusive report in Nation's Restaurant News May 18, 1987, "Food service in the Soviet Union."

The account, based on his two-week trip to four major Soviet cities, described in articles and pictures the entire food-service scene, the effects of *glasnost* and "private enterprise" restaurants, and the emergence of McDonald's and Pizza Hut as prime candidates for launching units in Moscow.

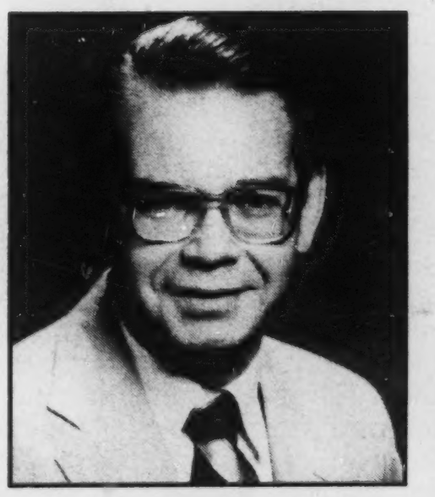
Bernstein was the first American journalist to cover the food-service scene in the Soviet Union.

He obtained exclusive interviews with key Soviet food-service and economic officials during his visits to Moscow, Odessa, Tallinn, and Tbilisi.

Editors of 200 business publications throughout the United States submitted entries in the competition for editorial excellence. A panel of six journalistic experts selected the winners.

Second prize in the "reporting on a general issue" category went to Andrea Bennett of the American Banker for her extensive coverage of "Rural Banks Burned by Bond Trading."

The other finalists in the category were Marianne Wilson of American Druggist, "Pharmacists Fight AIDS"; William Lurz of Professional Builder, "Solving Land-Use Problems"; Jerrold Ballinger of Catalog Business, "What Ever Happened to the Kitchen Table Start-Up?"; and T.E. Yeshion of Hospital Physician, "Examination of the Rape Victim and Collection of Forensic Evidence."



Charles Bernstein

Bernstein, a graduate of Cornell University and the Columbia University Graduate School of Journalism, started his career as a reporter on the Bergen Record and the Asbury Park Press, both in New Jersey. He then became financial editor of Fairchild Publications' Drug News Weekly.

He joined Lebhar-Friedman's Discount Store News in 1966, rising to managing editor before being named executive editor of L-F's Nation's Restaurant News in 1973. He has been chief editor since 1976.

Bernstein is a frequent speaker at industry conferences and at hotel-restaurant management and culinary colleges. He is the author of two books, "Great Restaurant Innovators: Profiles in Success" and "Sambo's: Only a Fraction of the Action."

## CORRECTIONS

Tony May

Dave Ianucci

"Cossetti banquet highlights trip" and "Italians honor four Americans," Page F70, May 23, carried incorrectly captioned photographs.

The photograph captioned Tony May of Palio in New York, in fact, pictured Giorgio Santuz, Italian transport minister.

And the photograph captioned Dave Ianucci, owner of Crier in the Country, Glen Mills, Pa., in fact pictured Filippo Frattaroli, of Ristorante Lucia, Boston.

Corrective pictures and captions appear here.

* * *

"'Big John' Grisanti shutters flagship, launches Peter K's," Page 42, May 23, confused two restaurants of the same name.

The Grisanti's Restaurant in suburban Memphis, Tenn., is being closed, while the original downtown location remains open.

Nation's Restaurant News

# FOCUS

## The Labor Crisis:

# LOOKING FOR SOLUTIONS

By Bill Carlino

**As the industry suffers from a shortage of 200,000 employees and a 250% turnover rate, operators fight the crisis with recruitment and retention plans.**

Is good help really that hard to find?

In the midst of high turnover and a widening labor shortage, both independent restaurateurs and franchisees are trying to find answers to that clichéd question while they brace to meet the challenges of employee recruitment and retention.

Results from a recent National Restaurant Association-commissioned Gallup poll reveal an industry shortage of 200,000 employees in eating and drinking establishments for 1988. Median crew turnover for the restaurant industry straddles 250 percent.

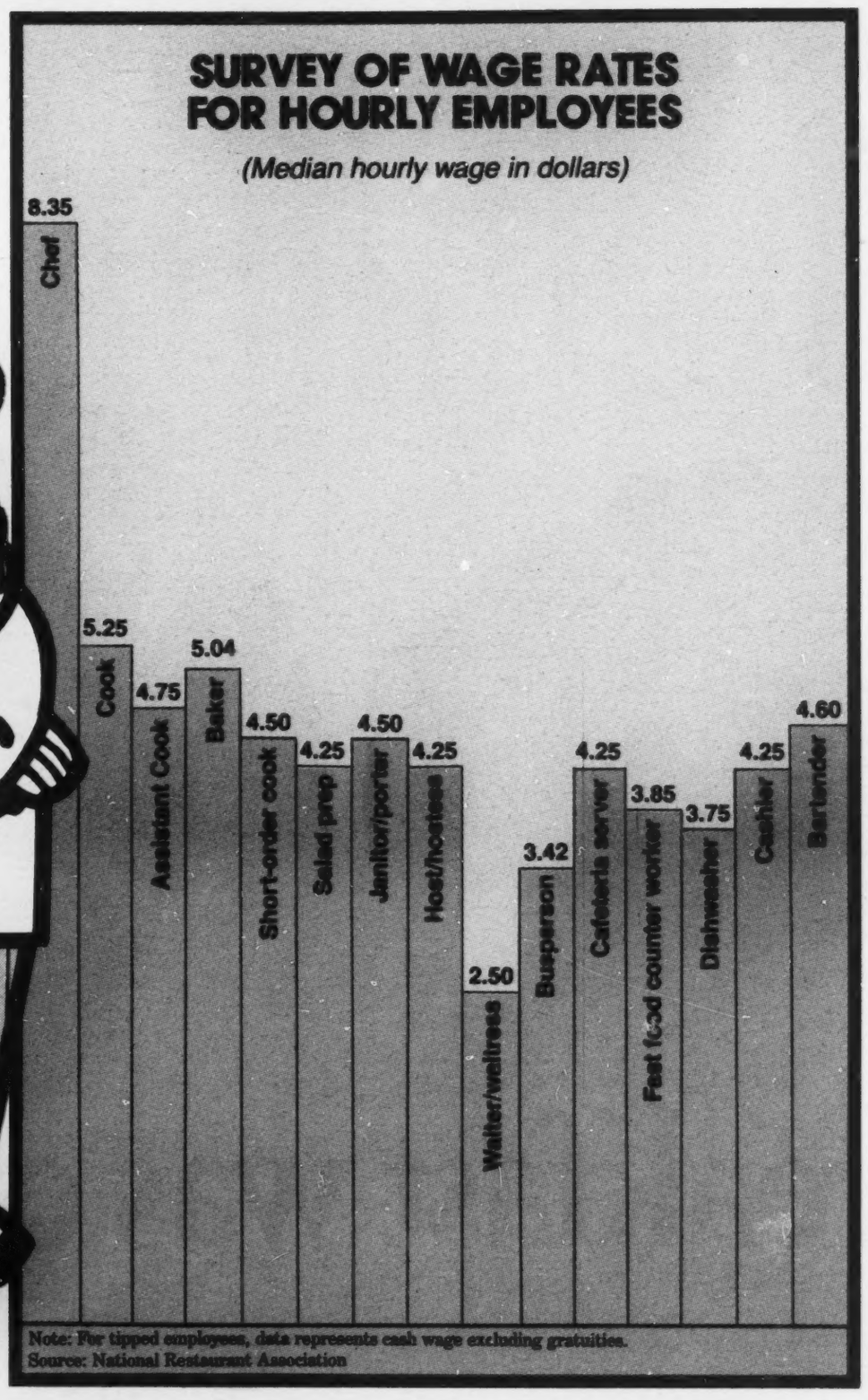
Labor shortage estimates for the upcoming summer months—when business is at its highest volume—approach one-quarter of a million employees.

"The labor pipeline in our industry is drying up, and it's only going to get worse," says Marvin Saul, the owner of Junior's, a $6 million deli operation in Los Angeles.

"As national unemployment figures drop, restaurants are usually the first ones affected by a labor shortage. We need to create a labor force, and that comes only through professional training."

According to the Bureau of Labor Statistics, 6 million people were employed in eating and drinking establishments last year, representing 6 percent of total employment nationwide.

*(See **LOOKING**, page F6)*




## VIEWPOINT this week

### Small operators: unsung sector

*At a time when large operators dominate the industry, editor Charles Bernstein reminds readers not to forget the 'little restaurants'*

Page F3

### Handicap bill gets support

*Ken Rankin discusses the Capitol Hill reaction to legislation outlawing discrimination against handicapped in restaurants*

Page F4

# FOCUS | VIEWPOINT

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## *The small operator takes it on the chin*

A great deal of attention has been focused on the problems confronting major restaurants and chains throughout the country. We constantly hear about customer counts being off, labor and food costs rising skyward, outrageous rents, unfair taxes, impossible legislation, terrible saturation.

It all almost makes us want to crawl and hide somewhere away from the apparent woes of the food-service world. Mergers and consolidations abound, pressure on all operators is more intense than ever before, and the scene is rapidly becoming a survival battle.

In the midst of the myriad challenges, one segment seems to be almost completely forgotten: the little guy, the small entrepreneur who is still the lifeblood of the industry in an age of bigness.

Larger is by no means better in this business, as we well know or should know. One doesn't necessarily need an annual volume of $3 million or $1 million or even $500,000 to make an impact.

Cities and communities throughout America are still dotted with "little restaurants" whose annual sales are in the $200,000-to-$500,000 range. These true independents very likely account for at least half the total of America's 400,000 restaurants.

Yet the interests and aspirations of small operators are often overlooked in a pell-mell rush to support chains and large restaurants. No doubt big operators carry a great deal more clout in Washington and in state capitals. But on the streets customers look more to neighborhood places than to giant restaurants as their eating havens.

Unfortunately, the interests of the small operator often go unheard beneath the blare of headlines about woes facing chain after chain and the constant publicity about "the 100 biggest chains in America," "the 500 largest independents," and so on.

It is easy to lose sight of reality and the massive contributions of smaller restaurants. They are indeed the backbone and the true entrepreneurs of the industry.

However, they are faced with overwhelming problems that make the complaints of the big operators look tame by comparison. Minimum wage increases may not matter to McDonald's and to other massive operations, which to their credit already can afford to pay well above the minimum and do. But these increases could mean life or death to the small operators, who cannot absorb the increased labor costs.

Nor would impending mandatory health-care and benefits legislation do anything but make life far more difficult for the small operators. These social-service-mandated benefits would merely make it that much tougher to survive.

Most of all, the small operators have of necessity relied on ethnic employees and immigrants far more than have the large operators. Severe restrictions on hiring immigrants are draining this crucial source of workers.

In effect, small operators have to be constantly on their guard since under the new immigration law they can be held responsible and fined or even jailed for hiring immigrants the government has deemed "illegal."

Many small operators have been working with their state associations to help employees become legal immigrants under the law's new provisions, but it is still an inhibiting factor.

We are not suggesting that employees should not receive a decent living wage or reasonable benefits. However, practicalities imply that smaller operators be given some leeway in these matters. Otherwise, many of them will go out of business.

That would only hurt employees and customers alike.

Large operators may continue to dominate much of the food-service industry. Yet the small operators, besieged by skyrocketing costs and lacking the volume to overcome this dilemma, deserve recognition, respect, and relief.

## LETTERS

### *Dennis Riese, Riese group: don't mistake identities*

Editor, NRN:

The story about Dennis Riese in your May 9 issue misrepresents the nature of Dennis Riese's association with the Riese Organization and his affiliation with a number of restaurant concepts operating in New York City.

The Riese Organization is one of the country's largest private restaurant operators. Its principals are Irving and Murray Riese. The corporate headquarters is at 162 W. 34th St.

We own and operate hundreds of restaurants and concessions, including a number of national franchises, such as Sizzler, El Torito, Houlihan's, T.G.I. Friday's, Del Taco, Pizza Hut, Roy Rogers, Church's, Jack's, Arby's, Nathan's, and Kentucky Fried Chicken, to name a few!

Many of there franchise agreements give us the exclusive rights to operate these concepts in the metropolitan area.

Dennis Riese is the president of Riese New York, a newly formed company with offices at 919 Third Ave. His company owns the Houlihan's at 1409 Sixth Ave. and the original Friday's at 63rd Street and First Avenue. We understand he is attempting to develop some new franchise agreements and expand his T.G.I. Friday's operations and concepts.

We wish him all the best in his efforts but feel compelled to point out the following errors in your article.

He currently does not operate a single multiple concepts food location in Manhattan. The restaurants referred to in your article—Sizzler, El Torrito, Houlihan's, Del Taco, Pizza Hut, Roy Rogers, Church's, Jack's, Arby's, Nathan's, and Kentucky Fried Chicken—are operated by our company, The Riese Organization.

We have no intention of eliminating our successful Sizzler operations; on the contrary, we are planning to expand them.

The T.G.I. Friday's in Rockefeller Center as well as the Friday's at 484 Eighth Ave. and 47 E. 42nd St. are owned and operated by The Riese Organization.

Finally, and most important, we are a restaurant company. Certainly we have real-estate interests, but they go hand in hand with our restaurant operations.

We are now in the midst of an unprecedented expansion of our restaurant ventures. In the interest of fairness we believe neither your publication nor the public should confuse Dennis Riese's restaurant group with ours.

**—Vincent McCann**
*chief operating officer*
The Riese Organization
New York, N.Y.

### *NRA needs active position in FDA-ETS testing plan*

Editor, NRN:

In answer to Ken Rankin's column on the FDA-ETS mandatory testing plan, I offer the following observation.

Until the NRA takes this same active position toward nationwide testing (based on the fine training program that is already in place), we are a fat, ripe target for any privateer that is willing to perform a "service" that we will not direct ourselves.

Sure, it may be tough to break the news to all the absentee owners and managers in our industry and a somewhat saturated industry at that. However, every time an incident occurs like the recent hepatitis outbreak in Virginia Beach (traced to an employee who didn't wash his hands after using the rest room), the case against us is strongly reinforced.

Imagine what would happen if Rankin's article appeared in Tidewater area newspapers. Frankly, given the monetary incentive here, I'm surprised this hasn't been jammed down our throats already.

**—Robert B. Ramsey**
William, Robert Bruce & Associates
Richmond, Va.

### *San Francisco prices give New York a good name!*

Editor, NRN:

I have been a loyal Nation's Restaurant News subscriber for almost 10 years. Despite having left the food business some six years ago, I can't bear to stop my subscription! Thanks for maintaining an informative, timely, well-written and comprehensive publication year-in and year-out.

I thought you might find interesting: At the new Mandarin Oriental Hotel in San Francisco, where I was thinking of holding a business meeting, the management is apparently trying to further devalue the dollar by charging $22 per quart of orange juice (more for tomato) *plus* 6.5 percent tax and 15 percent service, *not* including the room, the waiters, etc.

And they talk about "those New York prices!"

**—Laura R. Hewins**
San Francisco

# FOCUS | COVER STORY

# BK franchisee recruits moms, students

By Bill Carlino

GRAND RAPIDS, Mich. — Beset by high turnover and a dwindling teen-age work force, Dan Treirweiler, owner of 23 Burger King franchises in western Michigan, scrambled for solutions to improve staff quality and boost retention.

In late 1986 at least 12 of his franchises were understaffed. Despite $1 million in sales from each of his stores, daily operations scraped by while crew turnover approached 300 percent.

"I realized that our units needed employees who were responsible and didn't have that 'burger flipper' image associated with most fast-food establishments," says Treirweiler, chief executive of BBD Enterprises—his Burger King franchisor firm. "College students are usually in the market for a part-time job, and mothers can do the work of three teen-agers."

In an aggressive recruiting effort to entice mothers and college students to work for Burger King, Treirweiler implemented day-care and educational bonus programs.

One year later his undermanned units boasted a total of 840 employees, and monthly job applications increased 35 percent.

"When you offer necessary incentives to your staff, the results in morale and productivity become obvious," Treirweiler says. "The day-care and educational programs are contemporary needs for today's workers."

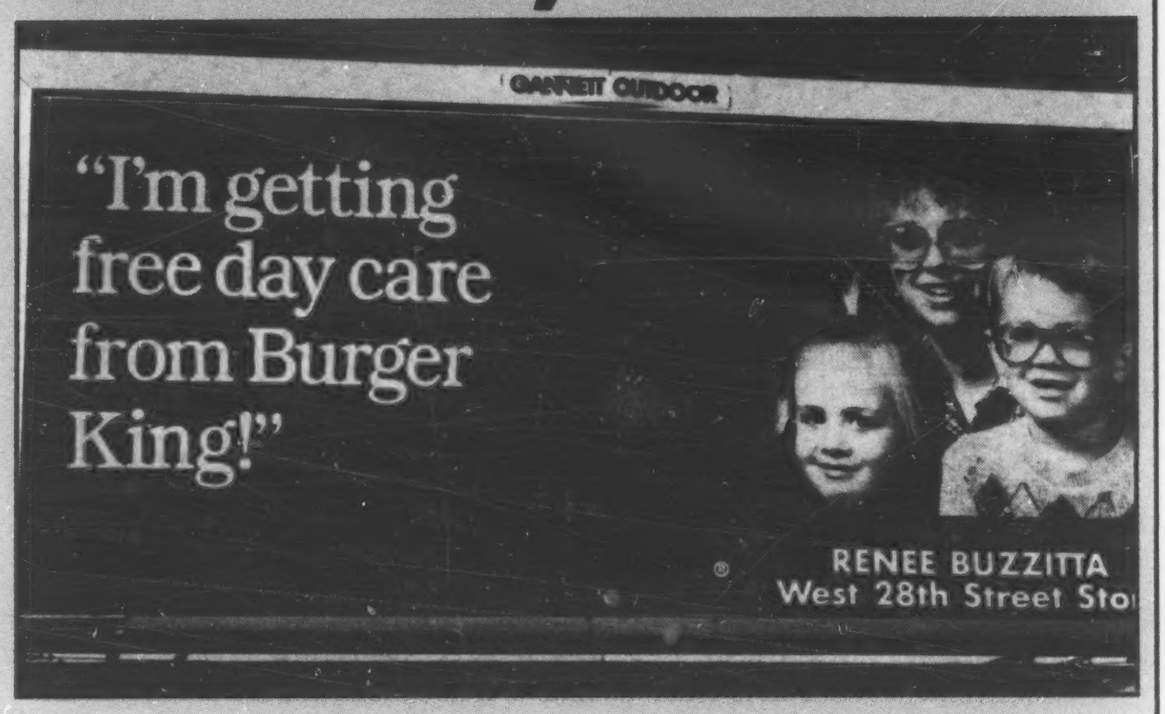
Employees with one child became eligible for free day-care service provided that they worked a minimum of 24 hours a week between the hours of 7 a.m. and 2 p.m. The benefit for additional children is determined on an individual basis. Children enrolled in the Burger King Day Care service program attend state-licensed facilities provided by 4C—a community child-care service.

In a salute to his efforts for instituting the employee day-care package, Treirweiler received a 1987 "Women in the Workplace" Award from the Grand Rapids chapter of the Women's Resource Center.

"So far nearly 400 of our franchises' 1,200 workers have enrolled in the program," Treirweiler says. "Child-care benefits may someday be in as great a demand as health and dental."

To shoulder the rising costs of college tuition, BBD enterprises offers $2,500 educational grants enabling qualified employees to attend the college or university of their choice. To be eligible, they need a high-school diploma and a minimum of 12 months employment in a BBD Burger King unit.

Upon acceptance to the program, the employee receives $1,000, with $750 for each additional six months of service.




**Billboard advertises Burger King Day Care Program for employees.**

"This is not a loan," Treirweiler stresses. "We realize just how big a burden a college education is today, and this is one way we can help employees fulfill their personal goals."

Treirweiler reports that nearly 300 employees have signed up for the program, and it has gained such favorable response that a local college vowed to match the $2,500 sum if any Burger King employee opted to attend there.

With both programs in full swing, Treirweiler recently launched an advertising campaign in which selected participating employees have their pictures pasted on 72 billboards dotting Interstate 96.

Each billboard features an employee's picture, name, store location, and the particular benefit program.

"It all comes down to a simple equation," Treirweiler says. "Take care of your people, and they'll take care of you."

# LOOKING FOR SOLUTIONS

*(Continued from page F1)*

Ironically, the figure was the highest ever in the industry.

Saul, who served two terms as a legislator for the California Restaurant Association, insists the professional image of the restaurant industry needs to be upgraded.

"This business was, and still is, perceived to be an alternative for people who couldn't find a job anywhere else," Saul says. "But the restaurant industry is a profession and should be treated as such. Unfortunately, many workers and managers don't think of it in that capacity."

Although Saul says several of his employees have logged 20 years of service or more, the majority of his crew works six and seven days a week with a lot of unwanted overtime as his store experiences the labor crunch.

"I don't think any operation ever feels it's completely staffed regardless of its number of employees," says Richard Claiborne, regional director of human resources for Roy Rogers restaurants. "But the industry must concentrate on keeping its employees rather than the perpetual circle of hiring and turnover."

It is estimated that hiring an entry-level or hourly employee who does not work out costs an operation between $5,000 and $10,000 in wasted training, insurance, and productivity. About half of employee separations occur during the first 30 days. Chain and franchise operators are more susceptible to a labor shortage than are independent operators.

With one of the lowest national averages in the hourly wage, at $4.41, restaurants are hard-pressed to ward off job pool competition from such higher-paying markets as retail stores, banks, hotels and motels, and convenience stores.

However, operators may be forced to tailor a competitive pay scale in the wake of a recent federal wage proposal submitted by Sen. Edward Kennedy, D-Mass. If his proposal is passed into legislation, the minimum wage could reach $4.65 by 1991. On July 1 California will raise its minimum wage to $4.25.

"When a minimum-wage increase is instituted, the entire industry floor goes up," Saul points out. "As soon as an employee making minimum wage is given an increase, higher-paid workers demand similar compensation. So raising the wage may produce short-term beneficial effects, but in the long run it really doesn't solve a widespread labor problem."

In order to stay competitive with other segments of the retail industry, operators have had to expand standard benefits packages to include profit-sharing, a child-care allowance, paid sick leave, educational assistance, and even English language classes. Saul says employees at Junior's receive $1 million life insurance policies, complete health and dental plans, and paid vacation.

"Today's labor market is basically a supply-demand relationship," says one independent operator. "The quality of your employees is contingent on what your operation has to offer. It may sound clichéd, but like any other business, you really do get what you pay for."

In addition to high turnover and shrinking numbers, the Gallup survey spotlighted fewer qualified job applicants and fewer applicants for hourly wage positions as problems plaguing restaurant industry labor.

"A priority challenge the industry faces is presenting food service as a viable career path," says Tom Mirgon, Eastern zone director of human resources for Taco Bell. "And, sadly, the quality of applicants has reflected this. Traditionally the restaurant industry has been lagging behind other businesses in competitive wages, benefits, and upward mobility, and the job tenure is generally shorter."

Teen-agers, once a staple of the restaurant work force, are gradually yielding to more mature work segments. The teen labor force is expected to shrink by 1.5 million in 1992, the by-product of higher-paying positions in other retail trade industries and of operators leaning toward employee maturity.

"In several positions we prefer to have our customers come into contact with more mature employees," says John Dawes, vice president of human resources for Gilbert-Robinson Inc., the parent company of 60 Houlihan's restaurants. "It's not easy money working in a high-volume establishment like Houlihan's, and we want reliable people who have a good attendance record; teen-age employees don't always meet those criteria. For that reason we avoid teen-agers as hosts and hostesses, and we lean toward mature people as servers, too."

However, industry executives agree that operators must employ motivation and incentive techniques as one of the primary methods to hire and retain both unit-level management and hourly employees.

Whether an operation implements incentive programs like Marriott's Grand Prix and Triathalon or a partner-manager plan like that of Golden Corral or Au Bon Pain, the end result is ideally a sharp reduction in turnover and an escalation in productivity.

"In order to properly motivate a staff, you must let them taste success," says Arby's chief executive Len Roberts. "And that is done by giving them practical goals to achieve. Once they taste success, nothing else will ever be able to replace that.

"If they know they can have more,

*(See **LABOR**, page F10)*

## THE LABOR CRISIS

### Checklist

- Six million people are employed in the nation's eating and drinking places. In 1990 the restaurant labor force will hit 6.8 million workers.
- The restaurant industry has an estimated shortage of 200,000 employees.
- Turnover for hourly employees averages 250 percent, which means that the typical worker stays less than three months.
- The median hourly wage for the restaurant industry is $4.41, $1.06 more than the minimum wage. Over the last year it has risen six cents.
- The national unemployment rate averaged 6.2 percent in 1987. Recently the median has been 5.4 percent.
- Half of all turnover in food service occurs within the first 30 days of employment.
- Chain and franchise operators are more likely to feel the impact of shortages than are independent operators.
- Women account for 57.1 percent of the total work force in the restaurant industry, compared with 44.8 percent for all industries.

Source: NRN research

# FOCUS | COVER STORY

## LABOR CRISIS

*(Continued from page F6)*

they will constantly broaden and raise their sights."

While employee motivational techniques may vary with each operation, crew recruitment and retention usually falls squarely on the shoulders of the store manager.

The amount of latitude a manager is given in regard to hiring is contingent on several factors: advertising budget and company permission for interaction with work agencies, such as Job Services, the Private Industry Council, and summer youth group job organizations.

A manager's basic recruiting tools can include classified ads, tray liners, the local school bulletin board, employee referrals, and even the standard help-wanted signs. But changing area demographics dictate an operation's available work segment.

"There is no homogenization of the work place like there was 30 years ago," says Neil Reyer, vice president of dining and travel services for Chemical Bank. "Today's eating and drinking operations encompass many different races and religions, and the needs of each employee differ. A good manager has to be aware of these needs."

Recent industry data support his theory.

Figures supplied by the Bureau of Labor Statistics indicate a 61-percent increase of blacks and a 56-percent increase of Hispanics employed in eating and drinking establishments. The rise of those ethnic groups is nearly double the 27-percent increase for total industry employment.

"The days of systemwide operational changes are a thing of the past," Mirgon says. "Everything is regionalized today. Your staff requirements in an inner-city New York store are quite different from one in Green Bay, Wis."

To enhance labor force availability, flexible schedules must be given priority as more working mothers re-enter the job market and even senior citizens search for part-time work.

Eating and drinking establishments reported the lowest weekly hours of all industries in 1987, with an average of 26. Fast-food operations recorded 63 percent of all employees working 15 to 34 hours per week. Eighteen percent of fast-food employees worked less than 15 hours a week.

"Teen-agers and college students may not ideally want to work at night because of study time and exams," says one Burger King operator, "while mothers and senior citizens may prefer the morning or afternoon hours. A unit manager has to be flexible enough to schedule around his employees' preferences and still have his unit or restaurant run as efficiently as possible."

Motivation and scheduling problems become magnified in 24-hour operations.

"It's a real challenge to motivate and get top productivity from employees making $4 or $5 an hour when it's one o'clock in the morning," says Greg Kirsch, general manager of Sky Chefs at Newark Airport. "Any supervisor or manager can look great when your workers are being paid top dollar.

"On the other hand, sometimes prospective employees come to us, saying it's more convenient for them to work at night. And that makes scheduling a lot easier than having to rotate who's going on the graveyard shift."

Kirsch says that during holiday seasons Sky Chefs serves special meals in the employee cafeteria, and occasionally he surprises the staff with cakes and pastries. It's the little things, Kirsch believes, that bolster employee productivity and loyalty.

"Let them know that you're behind them 100 percent," he explains. "You, as the manager, have to establish a bond between yourself and the employees. However, instill in them a sense of accountability, too. This way they feel like they're part of something and have a responsibility."

The Hot Shoppes and Travel Plazas, although they are 24-hour operations, boast the lowest turnover percentage in the entire Marriott Corp. Crew turnover has been trimmed to 63 percent, while management stands at 22 percent.

"We found what our staff wanted in terms of rewards and incentives through various surveys," says Steven Leipsner, vice president of Marriott's Travel Division.

"We instituted standard and supplemental bonus plans and pointed out that 95 percent of our managers are promoted from within. That gives crew employees something to aim for when there is an excellent chance of upward mobility. But the rewards must be attainable for the majority of your work force, not just for a select few.

"If employees feel they have no chance to qualify for an incentive bonus, they may take the 'why bother' attitude."

As one industry chief executive says:

"Recognize an employee for what he's doing right and never resort to fear motivation. Fear is good for short-term results only. Hiring and keeping quality employees boils down to finding out their wants and needs, meeting them, and applying them to your operational objectives.

"It doesn't do your restaurant any good if your employees scare your customers away!"

### EMPLOYEE TURNOVER RATES

| | Median number of employees | Median number of W-2's | Turnover rate |
|---|---|---|---|
| Full-menu/tableservice | 40.0 | 85.0 | 2.1 |
| Steak/seafood | 40.0 | 94.5 | 2.4 |
| Italian | 29.0 | 79.0 | 2.7 |
| Hamburger/subs | 63.0 | 80.0 | 1.3 |
| American | 40.0 | 80.0 | 2.0 |
| Limited menu/no service | 20.0 | 53.0 | 2.7 |
| Hamburgers/subs | 17.5 | 35.0 | 2.0 |
| Chicken | 61.0 | 127.0 | 2.1 |
| Mexican | 25.0 | 98.0 | 3.9 |
| Limited menu/tableservice | 27.0 | 53.0 | 2.0 |
| Cafeterias | 30.5 | 58.0 | 1.9 |

Source: National Restaurant Association.

### 1987 AVERAGE HOURLY EARNINGS FOR NONSUPERVISORY EMPLOYEES

| | |
|---|---|
| Banks | $7.50 |
| Grocery stores | 7.11 |
| Food stores | 6.95 |
| Department stores | 6.80 |
| General merchandise stores | 6.48 |
| Laundry and cleaning | 6.14 |
| Hotels and motels | 6.12 |
| Drugstores | 5.86 |
| Bakeries | 5.61 |
| Apparel stores | 5.57 |
| Gas stations | 5.51 |
| Variety stores | 4.81 |
| Restaurants | 4.41 |

Source: Bureau of Labor Statistics

### MEDIAN NUMBER OF FULL- AND PART-TIME EMPLOYEES

| | Full-time | Part-time (avg. 25 hours per week) |
|---|---|---|
| Full menu/tableservice | 18.0 | 16.0 |
| Steak/seafood | 18.0 | 19.0 |
| Italian | 10.0 | 14.0 |
| Hamburgers/subs | 38.5 | 3.5 |
| American | 17.0 | 18.0 |
| Limited menu/no service | 6.0 | 11.0 |
| Hamburgers/subs | 6.0 | 9.0 |
| Chicken | 21.0 | 25.0 |
| Mexican | 8.0 | 14.0 |
| Limited menu/tableservice | 8.0 | 14.0 |
| Cafeterias | 20.0 | 6.5 |

Source: National Restaurant Association.

### EMPLOYMENT BY AGE FOR FOOD-SERVICE OCCUPATIONS

| | Males | | | Females | | |
|---|---|---|---|---|---|---|
| | 1970 | 1980 | 1986 | 1970 | 1980 | 1986 |
| 16-17 | 20.7% | 23.6% | 18.4% | 8.4% | 11.8% | 10.1% |
| 18-19 | 12.7 | 16.7 | 14.3 | 7.6 | 11.1 | 9.7 |
| 20-24 | 12.7 | 20.2 | 24.7 | 10.0 | 17.3 | 19.4 |
| 25-34 | 12.2 | 16.6 | 22.4 | 15.0 | 17.3 | 22.6 |
| 35+ | 41.7 | 22.9 | 20.2 | 59.0 | 42.5 | 38.2 |

Source: Current Population Survey

### MEDIAN AGES OF EMPLOYEES

| | 1980 | | 1986 | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| Restaurants | 24.0 | 25.5 | 25.1 | 26.2 |
| All industries | 36.2 | 34.6 | 35.3 | 34.5 |

Source: Current Population Survey

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NEWSPAPER

Staff education key to wine selection

Mort Hochstein/Page 26

Shire, F... for new ... truggle ... ol Hill

...in/Page F4

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# NRA funds new blitz

## *Hourly pay, tip credit get new lobbying push*

**By Richard Martin**

CHICAGO — The National Restaurant Association's board of directors has approved increased funding to intensify grass-roots lobbying against looming minimum-wage hikes.

In addition, the board voted to hire former Louisiana Sen. Russell Long as a free-lance congressional lobbyist to increase the tip credit.

Catalyzed by forecasts of an imminent vote in the House of Representatives on thorny minimum-wage legislation, the NRA board approved the short-term, $300,000 allocation for the two-pronged lobbying boost at the start of its annual Restaurant, Hotel-Motel Show here last month.

Long, the longtime Democratic chairman of the Senate Finance Committee and still an influential figure on Capitol Hill, immediately began championing the NRA position in favor of a 100-percent tip credit against the federal minimum wage.

The NRA supports the pending bill's provisions to increase the tip-credit allow-

*(See **LABOR**, page 7)*

**Full coverage of NRA show**

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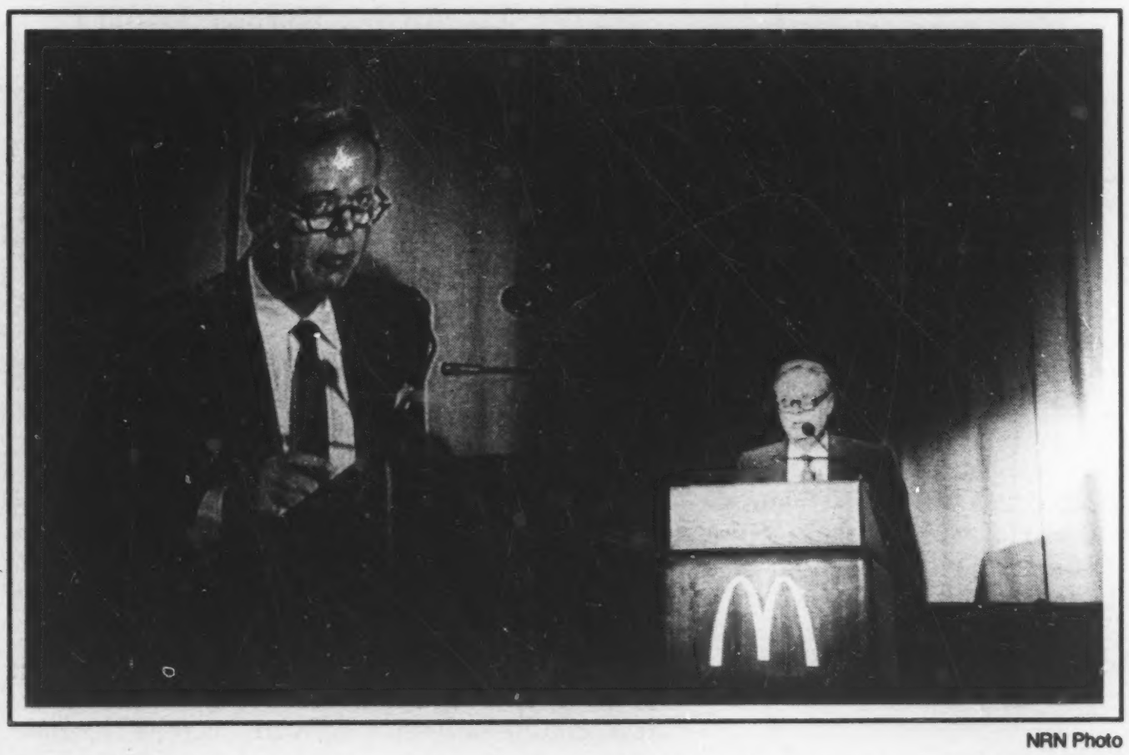

NRN Photo

**Dwarfed by his own TV image, chairman Fred L. Turner at annual meeting.**

# McD goes high tech to battle labor crisis

## *Probes new market niches for growth*

**By Peter J. Romeo**

OAK BROOK, Ill. — With its 7,600 domestic units already snagging 7 cents of every dollar spent in U.S. restaurants, McDonald's is striving to extend its dominance by embracing new technology and venturing into non-traditional market niches.

In its annual huddle with shareholders, the world's largest restaurant operator detailed plans to bolster unit efficiencies by outfitting restaurants with labor-saving computers and sophisticated kitchen equipment.

Executives also briefed the 2,000 attendees on McDonald's plans for expanding aggressively overseas, dealing with the labor shortage, and maintaining the chain's marketing momentum.

Meanwhile, the officials indicated at a press conference following the meeting that the 10,000-unit chain will con-

*(See **McDONALD'S**, page 166)*

# Star Euro chefs make US cameos

## *Hotels hire top names for promotions*

**By Joe Edwards**

Hotshot European chefs are finding that American hotel kitchens are great places to visit.

They are accepting invitations to cook special dinners or oversee week-long food festivals at major hotels in New York; San Francisco; Newport Beach, Calif.; and other cities.

For the chefs it is a chance to show off for the American media and at the same time drum up business for their own restaurants overseas. For the hotels the visits provide an opportunity to promote their restaurants, attract new customers, and excite their staffs.

Peter Tischmann, managing director of the St. Regis Sheraton in New York, views the monthly "Nights of the Culinary Stars" in the hotel's King Cole Restaurant as a way of boosting dinner business.

Customers come to sample the fare of the visiting chefs and may be inclined to return

*(See **EUROPEAN**, page 166)*

**FOOD WATCH**

## *Haute à la Colorado*

VAIL, Colo. — With all the fuss being made over California, Southwest, and Heartland cuisine, it was only a matter of time before the Rocky Mountain region got into the act.

As part of a state campaign to promote homegrown products, Alfredo's, the fine-dining restaurant in the Westin Hotel here, late last year offered a $32 "All Colorado" prix-fixe dinner.

Chef Christian Berg said the popularity of that dinner convinced him to continue offering regional fare through the 110-seat restaurant's monthly "A Taste of Alfredo's" promotion.

The dinner featured cream of fresh, sweet corn and smoked forest mushroom soup with crisp bacon and potato skin cracklings; a salad of local greens, wild flowers, sprouts, vegetables, and melon served with nectarine-sunflower vinaigrette; and a Colorado lamb rib-eye, which was butterflied and pounded thin, coated with a mousse of spinach, basil, and pancetta.

Dessert was a Grand Valley plum soufflé with spiced-apple yogurt sauce and a glass of Colorado-produced Riesling wine.

—Alan Liddle

# Little Caesars has right stuff in TV ad test

**By Marilyn Alva**

LINCOLN, Neb. — Little Caesars, counting on capable new advertising creatives to hurl it into the national limelight for its first network buy later this year, may have the right stuff to do the job.

NRN Adtrack

An exclusive Nation's Restaurant News Adtrack screen test of a representative ad from the new series of Little Caesars commercials showed it has an above-average overall rating and an appeal-

*(See **CAESARS**, page 4)*

CHARLES BERNSTEIN PROPOSES SOLUTION TO 'HELP WANTED' — Page F3

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Vol. 22, No. 23 June 6, 1988

# NEWS DIGEST

## Chicago no-smoking law lets restaurateurs set the limits

CHICAGO — The City Council here has passed a non-smoking ordinance that allows restaurant operators to decide how much space to reserve for non-smokers.

"We probably have the most enlightened law of any city in the country," said Andy Kelly, executive director of the Illinois Restaurant Association, which lobbied for the provision that was passed. "We are comfortable with it because it allows the sections to expand and contract."

The new ordinance exempts bars from providing non-smoking areas. Owners of establishments with both restaurants and bars assume the exemption applies to their entire bar sections.

Also exempt are non-enclosed public places, such as sidewalk cafes, and restaurants and hotels used for private events.

## Put booze on carcinogen list, Calif. science panel advises

SACRAMENTO, Calif. — In a development that bodes ill for restaurants dependent on liquor sales, Gov. George Deukmejian's Scientific Advisory Panel has recommended that alcoholic beverages be added to the state's list of carcinogens.

The panel, which issued its recommendation after studying the correlation between alcohol consumption and cancers of the mouth and throat, called for a second study to determine at what dosage liquor becomes a carcinogen.

If the second study verifies that alcohol does indeed pose a "significant" risk, the state will likely mandate that customers be advised of the health dangers at the point of purchase.

## KFC tests Cajun-style item, resurrects fillet sandwich

LOUISVILLE, Ky. — Kentucky Fried Chicken units in several major cities are testing a red-beans-and-rice side dish as a complement to the chain's Hot 'n' Spicy Cajun-style fried chicken, which is offered in about 300 urban stores.

Meanwhile, some KFC operators have resurrected the chain's fried-chicken fillet sandwich in an apparent attempt to piggyback on the lunchtime popularity of Chicken Littles miniature sandwiches. Several months ago KFC brought back the fillet item—a standard feature for several years—as a menu option.

Cajun-style chicken and such New Orleans-style side dishes as dirty rice are signature items of Popeyes Famous Fried Chicken, the nation's No. 3 fast-food poultry chain.

KFC is continuing sales trials of prepackaged salads and oven-baked and char-grilled chicken, a spokesman said.

## Summer kick-off proves to be hot one for NY resort

HAMPTON BAYS, N.Y. — Restaurants in the Hamptons, the Long Island summertime getaway spot for many New Yorkers, ran out of lobsters, rolls, and other foodstuffs on Memorial Day when customer counts exceeded expectations.

The turnout supported projections by travel industry figures that the summer will prove the busiest one in years for many resorts. They contend that the weakness of the U.S. dollar against foreign currencies will curtail overseas travel this summer, spurring people to frequent domestic recreation areas instead.

## Heavenly Hot Dogs chain merges with BK Ventures

CAPE CORAL, Fla. — Heavenly Hot Dogs, a fast-food frankfurter chain based here, said it has completed a merger with an operator called BK Ventures to form a new publicly traded franchising concern.

Stock in the new company will be traded under the name BK Ventures.

The concern is headed by Joseph Lanktree, a former president of the Twistee Treat, a snack chain specializing in soft-serve ice-cream.

## Hope, celebrity chefs to join in grand opening of Phoenix

CINCINNATI — Comedian Bob Hope, a bevy of circus performers, and some leading chefs from around the country will take part in the June 18 and 19 grand opening of The Phoenix, a mammoth restaurant, meeting, and convention facility owned by Carl and Shelley Bruggemeier and Bruce Sholk.

The 95-year-old building underwent a $5 million renovation over the last two years. The Phoenix has 27 separate dining rooms with total seating for 2,400. The Ohio Brasserie, a 175-seat public restaurant, retail food store, wine shop, and bakery will open on the basement level next spring.

Seven well-known chefs, including Stephan Pyles of the Routh Street Cafe in Dallas and Jean Louis Palladin of Jean Louis in Washington, will join Phoenix chef Paul Sturkey in cooking a degustation dinner for 1,000 guests. Proceeds will go to charities.

## Pizza Hut buys operator of 101 Florida outlets

WICHITA, Kan. — Pizza Hut, resuming a growth strategy that had not been employed in several years, has acquired Pizza Hut of Titusville Inc., a 101-unit Florida franchise, from Wichita businessman Michael Dart.

Terms were not disclosed.

In the early 1980s Pizza Hut, a subsidiary of Pepsico, had expanded its holdings by acquiring several of its licensees, including one of the largest, 100-unit A&M Food Services of Tulsa, Okla.

## Funk, 30-year cellar master of Brennan's, dead at 61

NEW ORLEANS — Herman Joseph Funk Jr., wine cellar master of the renowned Brennan's restaurant here for the last 30 years, died while vacationing in California in May.

He was 61.

Brennan's is one of the stalwarts of the New Orleans fine-dining scene. Zagat, the acerbic restaurant guide, praised the restaurant for its "outstanding wine list."

## 7-Eleven fires salvo in new summer treat ads

DALLAS — 7-Eleven, the convenience store giant that is barging into the fast-food market, is taking aim at the major quick-service chains with a new advertising campaign touting a just-introduced proprietary summertime product.

The new treat, a Coca-Cola-flavored version of 7-Eleven's signature Slurpee frozen drink, "is available only at 7-Eleven," stress the new television commercials, which debuted on Memorial Day.

7-Eleven, the nation's largest convenience-store chain, also features deli sandwiches and microwavable finger foods.

## Trump, Griffin end feud over Resorts Internat'l

NEW YORK — Real-estate magnate Donald Trump and entertainer Merv Griffin have finally agreed how to split the assets of Resorts International Inc., ending a long struggle for control of the hotel and gaming company.

Under the definitive agreement, Griffin will acquire most of the Atlantic City, N.J.-based hotel-casino operator, including properties in Atlantic City and the Bahamas. Trump will retain the extravagant but uncompleted Taj Mahal Atlantic City hotel-casino and a few other assets.

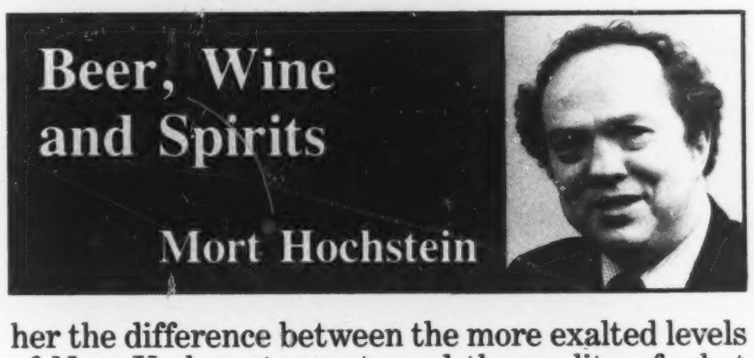
Los Angeles-based Griffin Co. would pay about $205 million in cash for Resorts Class A shares, about $96.2 million for Trump's Class B shares, and about $1.4 million for the Class B stock Trump doesn't own. In addition, Trump would receive $60 million from Griffin to terminate a management contract he has with Resorts.

The pact will be presented to independent Resorts directors next week.

# Staff education key to proper wine selection and service

**We could write a book:** And a lot of people have published books about the problems of beverage service. Nothing we've written in recent months seems to have touched so raw a nerve as did the column about a personal experience with poor wine service in two New Jersey restaurants.

Ann Rosenzweig, president and chief exective officer of Club "21," said it really brought home for




her the difference between the more exalted levels of New York restaurants and the reality of what happens in all too many eating places. A major distributor said it's all a matter of attitude, that the restaurant operator doesn't pay enough attention to wine and what it can mean to the check. Another distributor said staffs change almost overnight and desperately need training and retraining. His people, he said, spend a large portion of their time on education—teaching the wait staff the basics of wine.

**Fear of serving:** "Even here, deep in the heart of wine country, you find waiters and waitresses frightened at the thought of serving wine," said a winery executive who shall remain nameless to escape the wrath of his neighbors.

"If a customer shows signs of wanting to order wine, waiters and waitresses are worried and embarrassed," the executive said. "Management isn't too sharp either. Within ten miles of our winery, I've found our Pinot Blanc listed in one restaurant as blush wine and in another as a rosé. I heard someone correctly order it as a white only to be told he was wrong."

**On the other hand:** Frank Woods, the marketing whiz who founded the Clos du Bois winery in Sonoma County, Calif., sees restaurants developing a greater degree of sophistication.

"We've noticed a steady upgrading of wine lists," he said. 'Operators have always been concerned about consistency of supply and rightly so. They tended to buy only nationally advertised wines marketed by large firms that could guarantee inventory. Now they're not so intimidated by the possibility of running out, and they are willing to work with distributors who can give them an equitable allocation of wines that are scarce and in great demand."

In the case of Clos du Bois, that applies to its top-of-the-line vineyard- designated Marlstone and Flintstone wines, which are in the high double figures at retail and always in short supply, since restaurants and hotels take the majority of production.

That sophistication, Woods notes, begins with house wines. Operators, he said, are finding that they can no longer get away with offering a $2 house wine that cost them 20 cents. Customers are now asking for Chardonnay by the glass, and that forces restaurants to upgrade their bar wine and improve the general list. Woods sees the big growth for the next 15 years in superpremium varietals costing anywhere from $42 to $84 FOB and retailing from $7 to $15 a bottle.

**What more can anyone do?** Short of conducting training seminars in every restaurant producers serve, some of them try to improve general wine knowledge by enclosing helpful literature in the case. Enclosed are wine descriptions for the list, notes on the wine by the winemaker, and thoughts on serving it.

For instance, under Sommelier's Corner, "Words for the Wine List," a recent enclosure by Preston Vineyards of Sonoma describes its 1987 Dry Creek Valley Chenin Blanc as "Dry and full bodied, flavors of melon and pineapple, oak finish." The winemaker's wife adds serving suggestions, pairing the Chenin with spicy seafood dishes as well as roast chicken. That sort of information could be very helpful to servers who lack expertise and may not have tasted the wine, but too often the notes get tossed away in the empty case.

**The best for less than $10:** The International Wine Center in New York has released its annual selection of Cabernet Sauvignons selling at less than $10 retail or less than $80 a case wholesale. Tasters worked their way through 200 wines before coming up with 14 winners, four Australian Cabernets, and 11 domestic.

Wines were judged in three retail price ranges: less than$6, $6 to $8, and $8 to $10. An australian wine, the '85 Lindemann's Bin 45, was the sole winner in the lowest price range. Two non-vintaged California wines, Round Hill, Lot 6, and Bel Canto, North Coast, both $7.50, and the '85 Estancia, $7.12, placed in the $6-to-$8 bracket.

Top-ranked wines in the $8-to-$10 retail category were the 1983 Zaca Mesa, $8.98; Columbia Crest, Washington, $8.24; and two California labels, Creston Manor $9.99, and Round Hill, $9.62, all 1984. From the 1985 California vintage: Fetzer Barrel Select, $9.93; Kendall-Jackson, Lake County, $9. From Australia: Peter Lehmann, Barossa Valley, $8.99; Roo's Leap, McLaren Vale, $9.99; Saxonvale Bin 1, Hunter Valley, $9.98. A 1986 Cabernet from Palmer Vineyards on Long Island in New York, $9.38, was a surprise winner among the top 14.

**One a month:** DISCUS, the Distilled Spirits Council, says state increases on liquor taxes and markups came at the rate of almost one a month from 1980 to 1987. The industry group, arguing against what it considers unduly high taxes, said the industry contributed $3.2 billion in state and local taxes in 1986, more than half of what the states spend for health programs and twice what they spend on police protection.

On the retail side, Alabama has the highest liquor taxes, with federal state and local levies running to 70 percent of what the consumer pays. Other high-tax states are Oregon (64.8 percent); Utah (63.9 percent)) and Washington ($63.5 percent). Nationally, taxes amount to 45 percent of the cost of spirits.

# Poll: 2 out of 3 employees would quit jobs if they became rich

SAN FRANCISCO — Two out of three employees would quit their jobs if they suddenly became independently wealthy, according to a nationwide opinion survey of top corporate personnel experts.

Top executives, however, would continue to work despite newfound wealth.

The survey, which was designed to examine "non-monetary attitudes" toward work, was developed by Robert Half International, a financial, accounting, and data processing recruiter.

The respondents were asked, "In your opinion, if the average (top executive), (middle-management executive), (staff employee) suddenly became independently wealthy, do you think he or she would retire, semi-retire, take a leave of absence and then return to work, or continue to work?"

The results of the poll show 37 percent of staff employees believe they would retire if they became instantly wealthy as opposed to 5 percent of top executives who said they would leave their jobs.

Of those who would choose to continue to work, a whopping 67 percent of top executives said that they would stay at their jobs as compared with 30 percent of staff employees who said that they would continue working.

"Some people who climb up the corporate ladder are often motivated as much by the satisfaction they derive from their jobs as they are by the financial rewards of success," said Max Messmer, president of Robert Half International.

**If you suddenly became rich, would you stop working?**

| | Top executives | Middle management executives | Staff employees |
|---|---|---|---|
| Continue to work | 67% | 42% | 30% |
| Semi-retire | 21 | 29 | 16 |
| Leave of absence, then return to work | 6 | 15 | 14 |
| Retire | 5 | 11 | 37 |
| Don't know | 1 | 3 | 3 |

Source: Robert Half International

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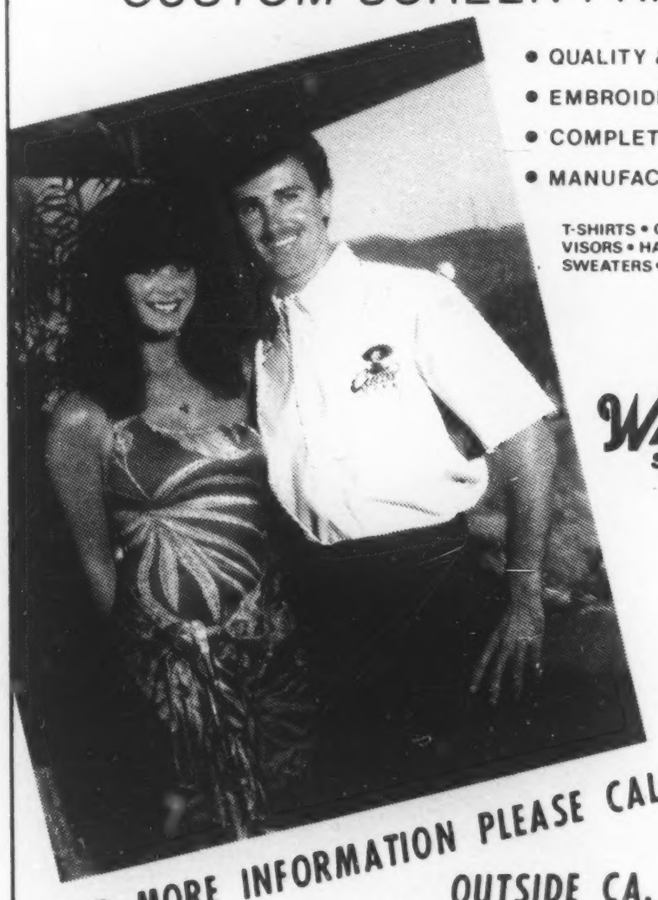

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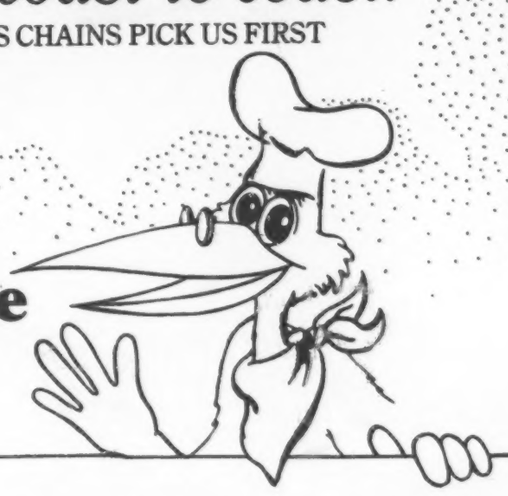

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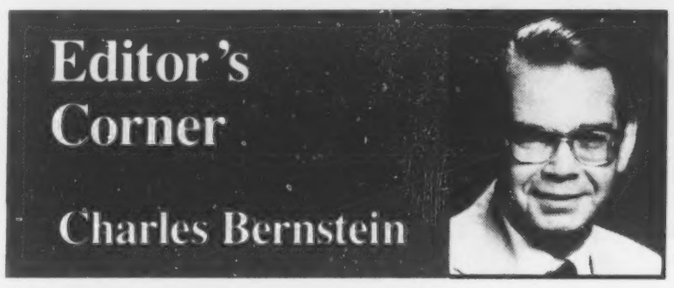
## 'Help Wanted': Retention is the answer

In a recent panel discussion sponsored by this newspaper, the endless array of Help Wanted signs that have become an integral part of the food-service landscape were deplored as counterproductive and detrimental to the industry.

The signs indicate that anyone is acceptable, and, unfortunately, that may be the reality. But there must be ways to boost rather than downgrade the industry's image. Words like "qualified persons sought" would be more effective than the implication that anyone off the street will be hired in these desperate times.




As Donald Campbell, president of Cleveland-based KFC franchisee Kenny King Corp., aptly expressed it: "These help-wanted signs that we see everywhere are a symbol that restaurants will accept any kind of help. We've got to start emphasizing that we want special people who have what it takes in this business, people who will stay so that we won't have this endless recruiting problem."

We concur that better methods can be found to make employees feel special and build esprit de corps. Help-wanted signs would not be seen everywhere—even with the current and future proliferating labor shortages—if employees in the restaurants were properly trained and motivated.

The turnover rate in restaurants continues to be appalling—well over 100 percent annually at more operations than anyone will admit. While everyone talks about recruiting challenges, the real spotlight should be on retention.

One system to raise the manager's motivation level with the resultant contagious enthusiasm of unit employees is a manager-partner program where the manager gets a portion of investment ownership and profits. As previously reported, this piece-of-the action approach is being carried through successfully by Au Bon Pain, KFC franchisee Harman Management, Golden Corral, and others.

Still, money is not the only incentive or even the most effective one, although it helps. Job satisfaction is the prime motivator and the area where many operations fall short.

Operators tend to merely toss a rote-learning training manual at new employees and let them flounder. A mentor program whereby employees would have someone to emulate would be a vast improvement. Constant coaching to build the individuals and the team is also needed.

Retention hinges largely on instilling pride in the employees and emphasizing flexibility. Instead, we see rigidity on the part of employers stressing a "corporate" rather than a personalized approach.

Job specifications often are mandated, and people have to fill the bill. However, it wouldn't be a bad idea to tailor the job to the individual's ability. Waiters, kitchen people, bartenders, and others could try each other's jobs. This variety would add zest to the employees' work and not lock them into one niche or another.

College scholarships also are a fine way to motivate younger employees and build loyalty. Such investments, amounting to thousands of dollars with individual employees, pay immediate and long-term dividends.

Retention efforts often are doomed before they really start. According to some estimates, as many as half of all employees who leave in any given year actually exit in the first month. Too many are being trained in a "sink or swim" method, where many do not make it.

Operators almost seem to make a fetish of promoting unit turnover through quick discharges and resignations, with a constant stream of new, untrained employees. A workplace where workers are encouraged and helped to gain confidence in their skills makes a lot more sense than one of chaos and poor morale caused by constant turnover.

How sad that so much time, effort, and money are spent on recruitment with extremely mixed results but so little thought is given to retaining new and veteran employees alike. The priorities are backwards, and the consequences are disastrous.

It's time to focus maximum resources and commitments on retention.

## LETTERS

### Bonanza operator earns grateful pat on the back

Editor, NRN:

Too often many of us hear about the various customer service concerns and problems that exist in today's marketplace.

We recently received a refreshing letter from a Bonanza restaurant operator in Martin, Tenn. We thought that it would be a nice sidebar story in Nation's Restaurant News. I have attached the correspondence for your use.

**—Dale Conwell**
*director marketing services*
Bonanza Restaurants L.P.
Dallas

*Editor's Note: Here's the letter:*
*To Whom it May Concern:*

*Approximately three weeks ago, my little two-year-old girl was standing up in the chair, facing away from the table. I had warned her earlier to sit down; she did not heed me. In a brief moment, all most no time at all, she fell, facing backwards in the chair. She hit, face first, striking the edge of a bench—four stitches were required.*

*Before you get alarmed, thinking I am writing to ask for damages, don't. I am writing to commend the manager and employees of the Bonanza restaurant in Martin, Tenn.*

*I believe the manager's name is Mr. Rickman. He and his employees showed the utmost courtesy and the utmost concern for my little two-year-old girl—Hayley Rayann Horton.*

*The accident is my fault.*

*I just wanted to make sure that someone at Bonanza headquarters knew about the compassionate, and yet professional, people that you all have working for you.*

*Mr. Rickman, knowing that we had just received our meals, gave us a gift certificate for the amount of the food we had ordered, yet had not had time to eat. This, his gift certificate, was nice and good; however, what really impressed my wife and me was the urgency and the compassion extended unto us by your employees.*

*Good supervisors and good administrators are hard to come by. However, good supervisors and good administrators who know when to be human are extra hard to come by. Consider yourself very lucky indeed to have such a man as Mr. Rickman working for you.*

**—Howard R. Horton**
Dresden, Tenn.

### Timeliness plays key role in reporting at NRN

Editor, NRN:

As a subscriber to Nation's Restaurant News for more than 20 years and until recently an operator in the hospitality industry, I want to thank you for your ongoing timeliness in reporting on changes in the law—specifically the recent lead on FICA.

Keep up the good work!

**—Kenneth Rapley**
Hayman Business Systems
Washington, D.C.

### Metro Report and NRN: Just can't get enough

Editor, NRN:

Here's a fan letter to NRN special projects editor Joe Edwards.

I want to tell you how much I appreciate and enjoy his Metro Report column and other writing in NRN and how generally and specifically useful it is to me.

NRN is one of the very few publications that looks like a barracuda's been at it when I finally put it aside. I count it as one of my most important resources.

**—Bob Lape**
*restaurant reviewer for WABC-TV*
New York

### Advertising workshop sees power of the press

Editor, NRN:

I wanted to thank you personally for running an article on our "Advertising on a Shoestring" workshop.

The response we got from that article was fantastic. What influence your newspaper has! It's absolutely wonderful.

It really made me realize how valuable you are for the success of any event, because so many people read the newspaper so carefully and thoroughly.

So thanks again. I really appreciated your interest.

**—Shirley Benedict**
New York Metro Roundtable
for Women in Food Service
New York

FOCUS | NRN

# For convenience' sake

*A report done by The NDP Group reveals that the take-out trend is growing as American consumer taste focuses on convenience*

**By Marilyn Alva**

A study of consumer eating patterns reveals that dining habits among Americans are indeed changing as convenience becomes the dominant force in meal decisions.

The NPD Group's so-called Report on Eating Patterns in America underscores the fact that take-out is a long-term trend that is growing and that home is where restaurant meals are being consumed more and more. One in five restaurant meals was said to be consumed at home.

A significant finding in the take-out realm is that pizza has become the most popular take-home food, dethroning the traditional sandwich-burger.

As the study's project director, Mark Plotnick, noted, "Pizza is a more costly item to take home, but people don't care."

Dual-income households with no children, known as DINKS, followed by singles, are currently bringing home the greatest number of meals, according to the report.

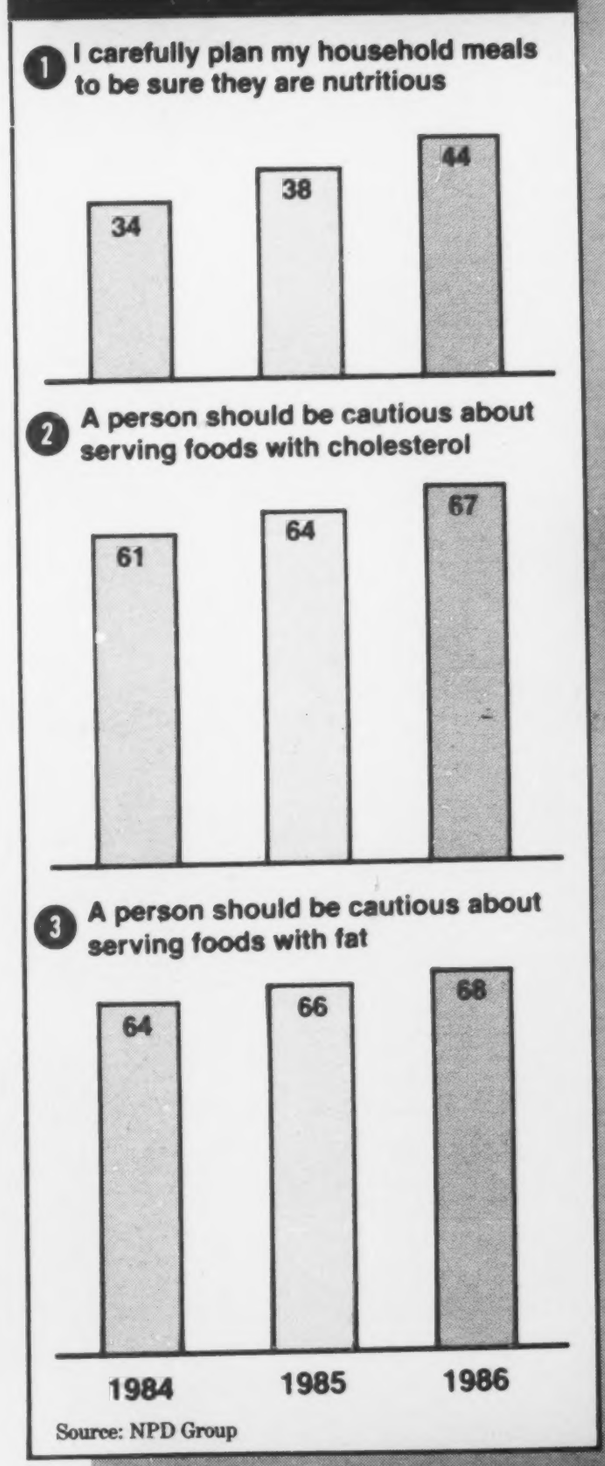
Yet, it added, long-term growth of take-home is being fed by households with children and affluent singles, the latter being the heaviest total restaurant-using category. In five years' time working parents increased their number of take-home meals by 11 percent and affluent singles by 10 percent.

The NPD Group is a

*(See **EATING**, page F69)*

## CONCERN FOR NUTRITION, HEALTH GROW

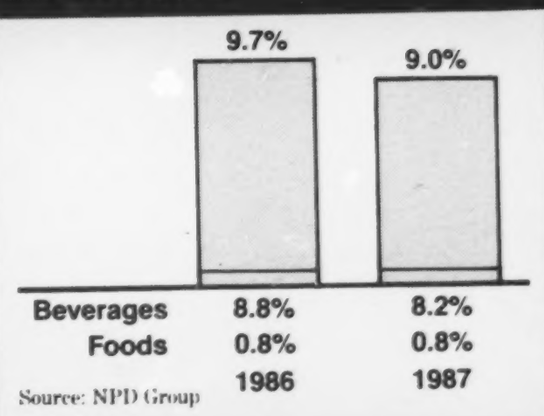
(Percent of Households Agreeing with the Following Statements)




Source: NPD Group

## LITE/LOW CALORIE TREND

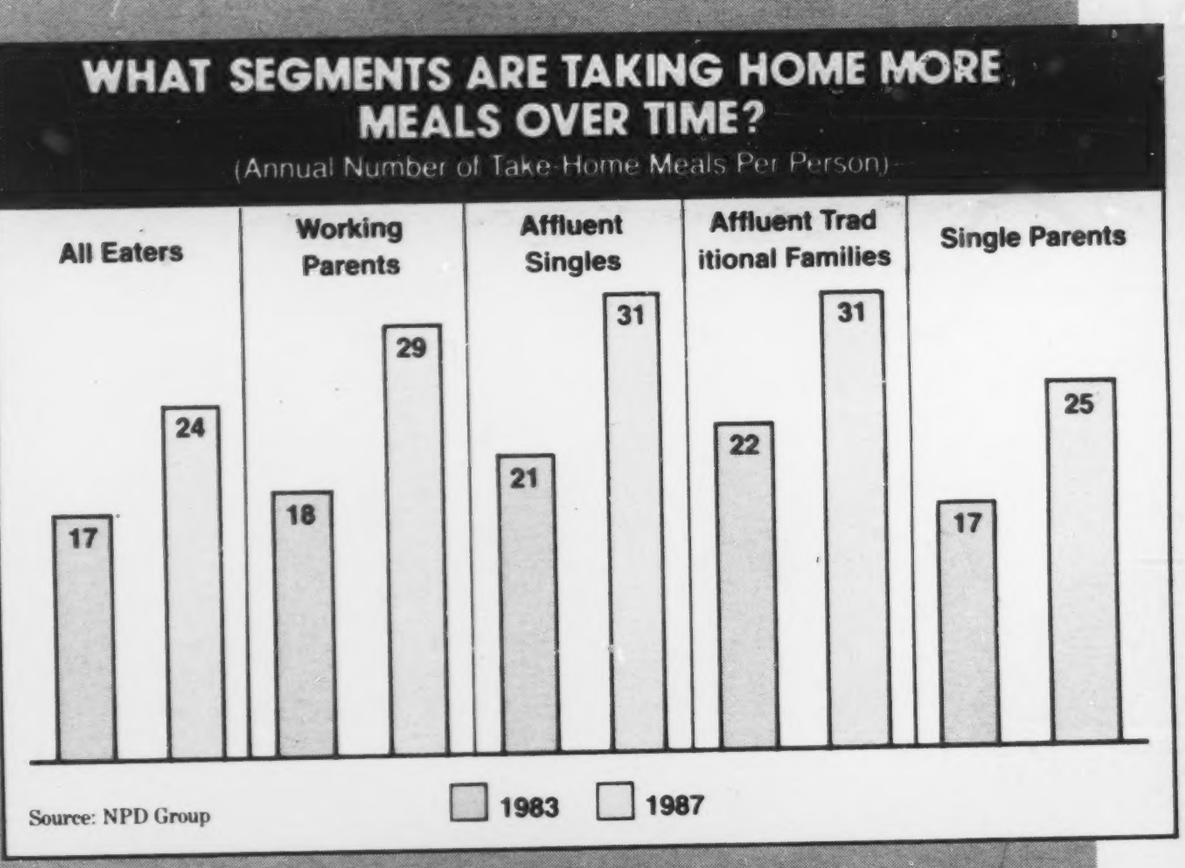
(Percent of In-Home Meals Snacks Including a Lite Low Calorie Product)




Source: NPD Group

## WHAT SEGMENTS ARE TAKING HOME MORE MEALS OVER TIME?

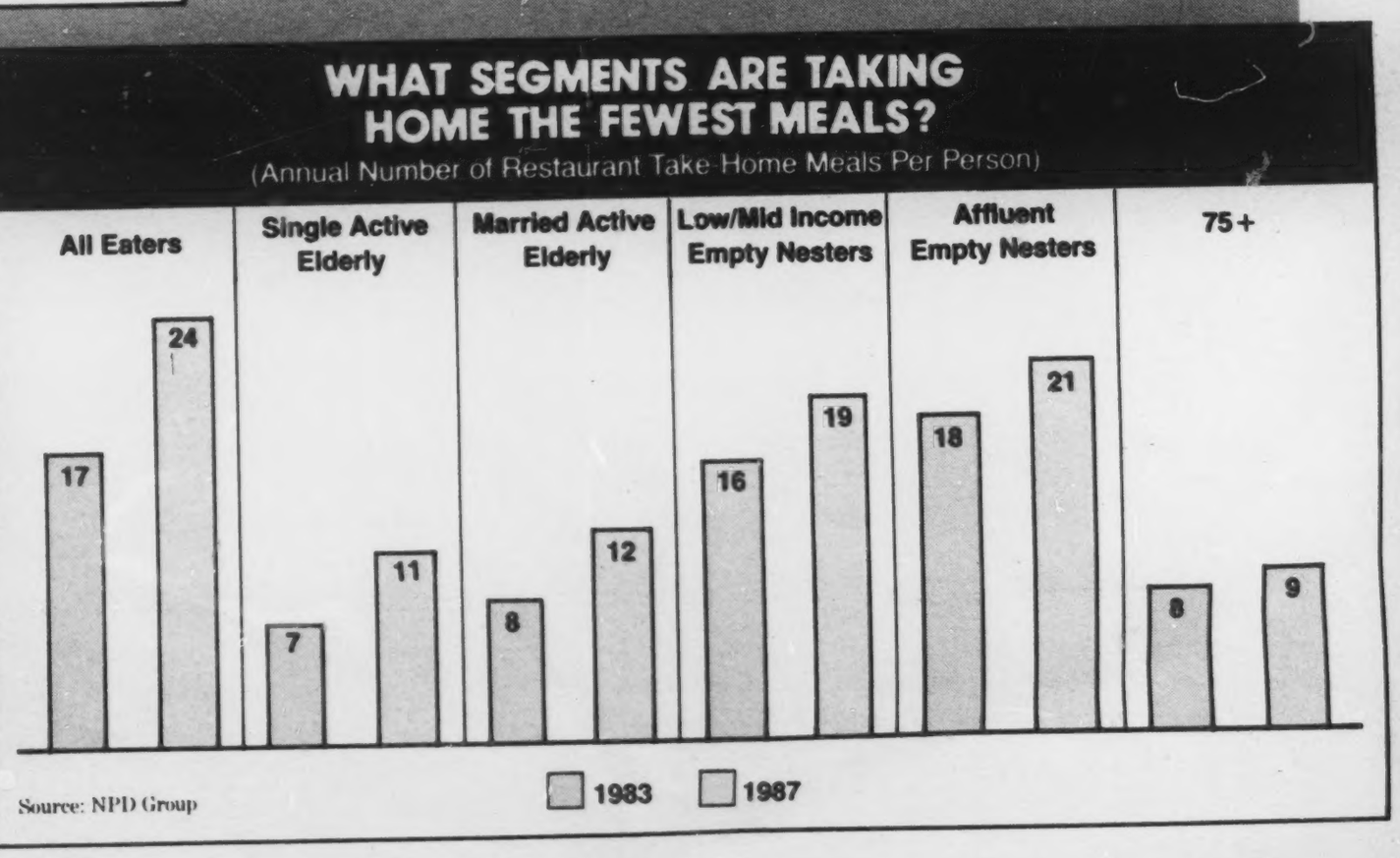
(Annual Number of Take-Home Meals Per Person)




Source: NPD Group

## WHAT SEGMENTS ARE TAKING HOME THE FEWEST MEALS?

(Annual Number of Restaurant Take-Home Meals Per Person)




Source: NPD Group

# FOCUS | NRA

*Who are the most active restaurant users? According to the study, working parents and DINKS, followed by affluent empty nesters.*

## Eating trends

*(Continued from page F64)*

market research firm based in Park Ridge, Ill. Its recent report is a consummate portrait of the trends and changes in current eating behavior both at home and away from home.

The study included surveys of thousands of representative households across the country in each year since 1983, with the last ending in February 1987.

Although nutrition was shown to be a growing concern, "Convenience is still the driving force in eating patterns," Plotnick said.

As for health concerns, in five years' time the number who said they plan nutritious household meals increased 10 percent. Further, 6 percent more said they are more cautious about foods with cholesterol, and 4 percent more said they are more concerned about serving foods with fat.

Still, convenience was a more dominant force in influencing actual eating behavior, the study showed. For instance, the number of labor-intensive food items consumed has slowly been on the decline, with a 7.7-percent drop in 1987 over the preceding-year figure.

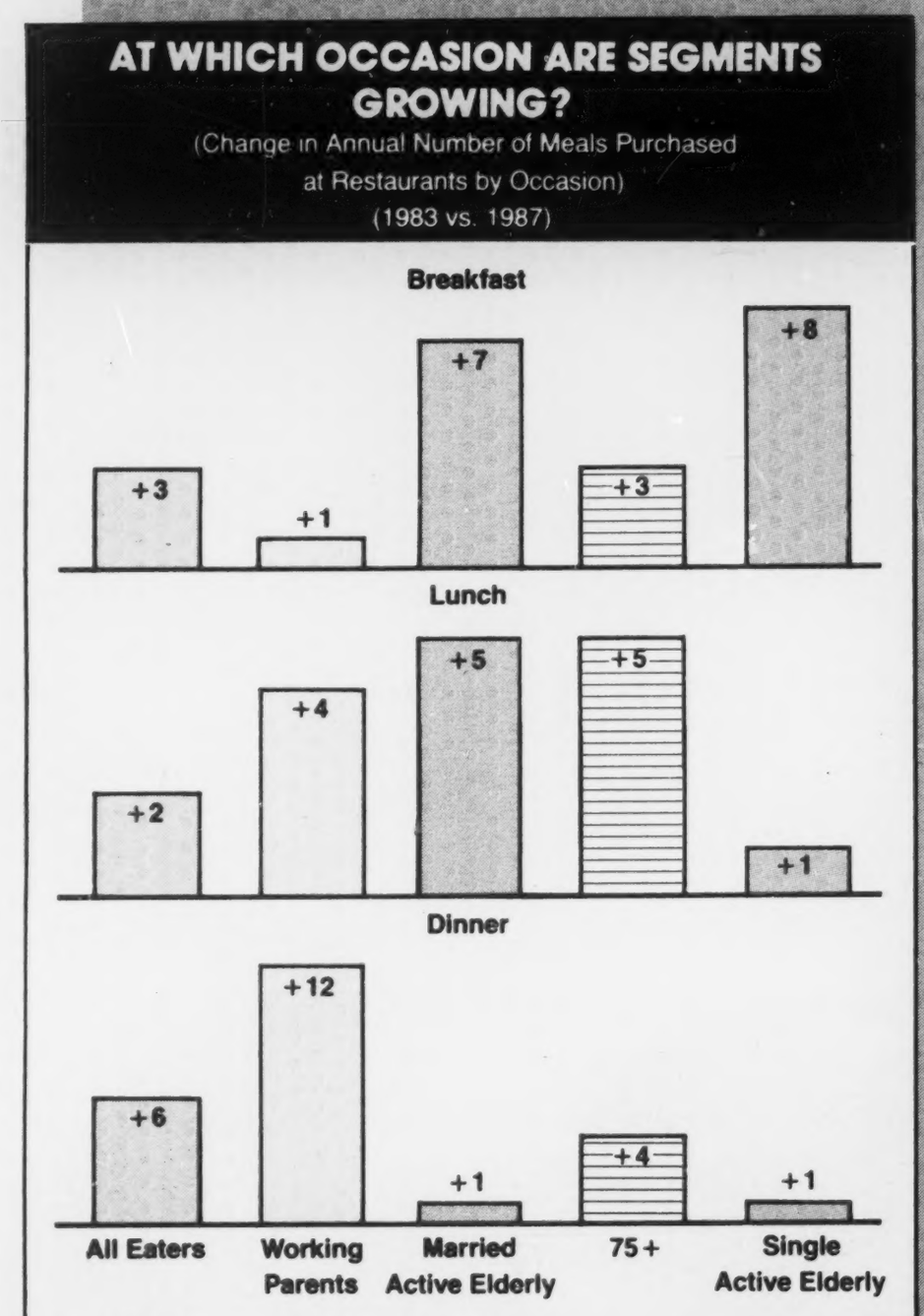
Breakfast has shown the most consistent trend away from labor intensive food items, with a 7.3-percent decline in 1987.

Who are the most active restaurant users? According to the study, young singles and DINKS, followed by affluent empty nesters. Households with children and limited earning power visit

*(See **EATING**, page F70)*

**AT WHICH OCCASION ARE SEGMENTS GROWING?**

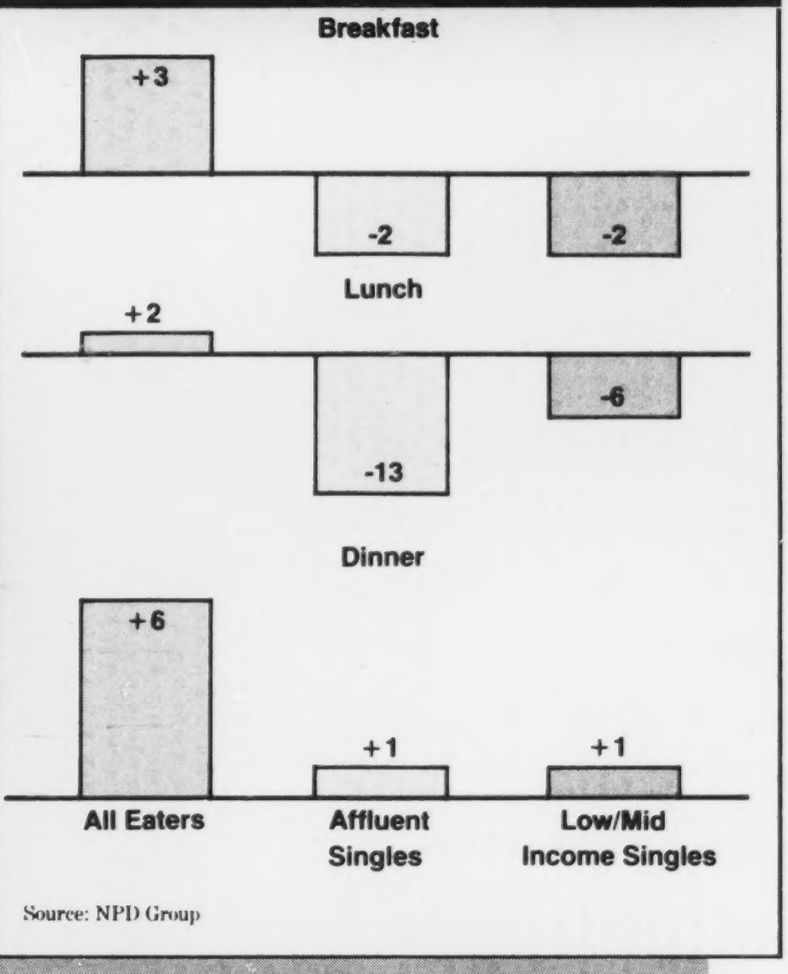
(Change in Annual Number of Meals Purchased at Restaurants by Occasion)
(1983 vs. 1987)




Source: NPD Group

**AT WHICH OCCASIONS ARE THESE SEGMENTS DECLINING?**

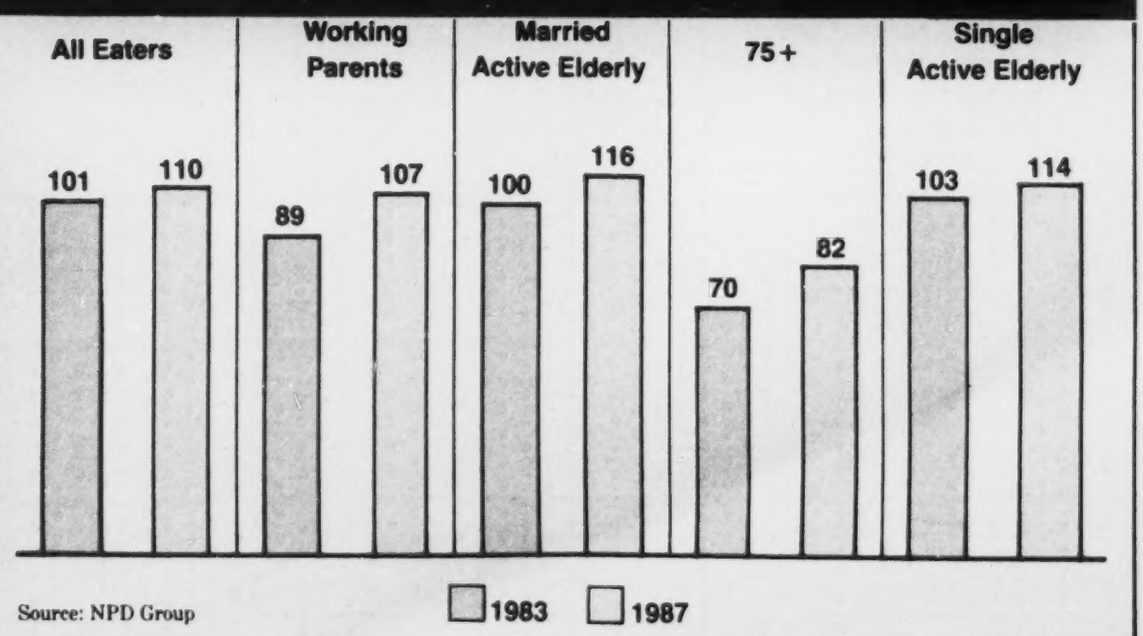
(Change in Annual Number of Meals Purchased at Restaurants By Occasion)
(1983 vs. 1987)




Source: NPD Group

**WHICH SEGMENTS ARE EATING MORE RESTAURANT MEALS?**

(Annual Number of Meals Purchased at Restaurants Per Person)




Source: NPD Group

# FOCUS | NRA

*Where does that leave lunch? Suffering. The biggest decline in usage among the top two restaurant-using segments was shown to have occurred at lunch.*

## Eating trends

*(Continued from page F69)*

restaurants the least often, it also noted.

Yet working parents and the elderly have shown the largest increases in restaurant eating in the past five years, the eating study also revealed. In the five years since 1983, working parents increased their restaurant visits by 18 percent, and married active elderlies by 16 percent, the survey noted.

The working parents were shown to be frequenting restaurants more often at dinner, while the elderly were making more trips to restaurants primarily at breakfast.

Where does that leave lunch? Suffering. The biggest decline in restaurant usage among the top two restaurant-using segments was shown to have occurred at lunch, the report revealed, with drops of as much as 13 percent. "So much for power lunching," declared a NPD researcher.

In the snacking area, the heaviest group was said to be younger singles and the lowest the elderly.

Which kinds of food and drink are most popular?

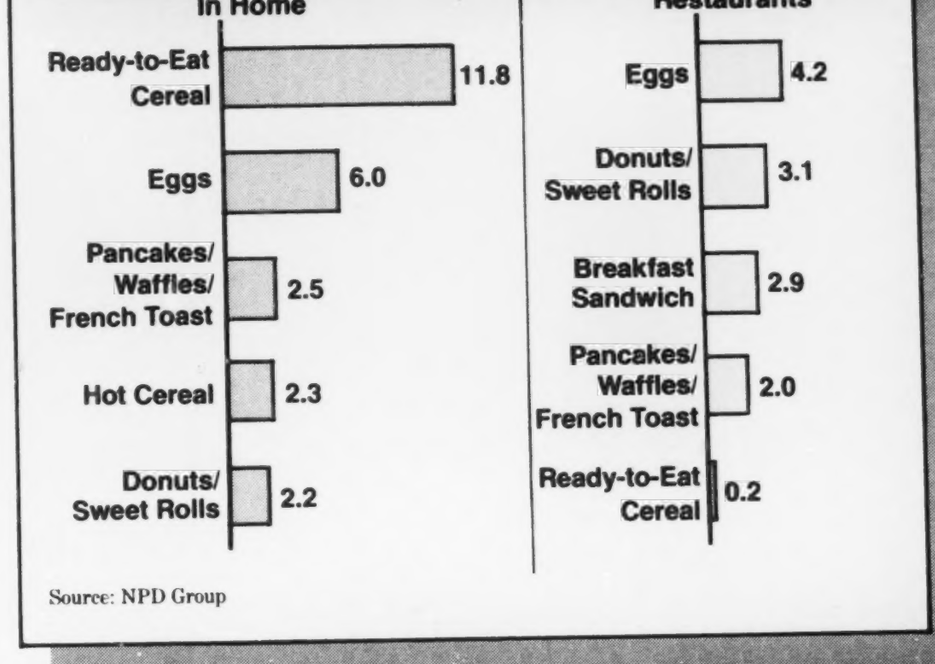
In the main-dish category, red-meat sandwiches scored the highest, although its intake at restaurants was shown to be three times greater than it was at home. Some 29.7 percent said red-meat sandwiches were their favorites at restaurants, while only 9 percent said the same for in-home consumption.

Pizza was the second favorite in restaurants, with

*(See **EATING**, page 72)*

**POPULAR BREAKFAST DISHES**

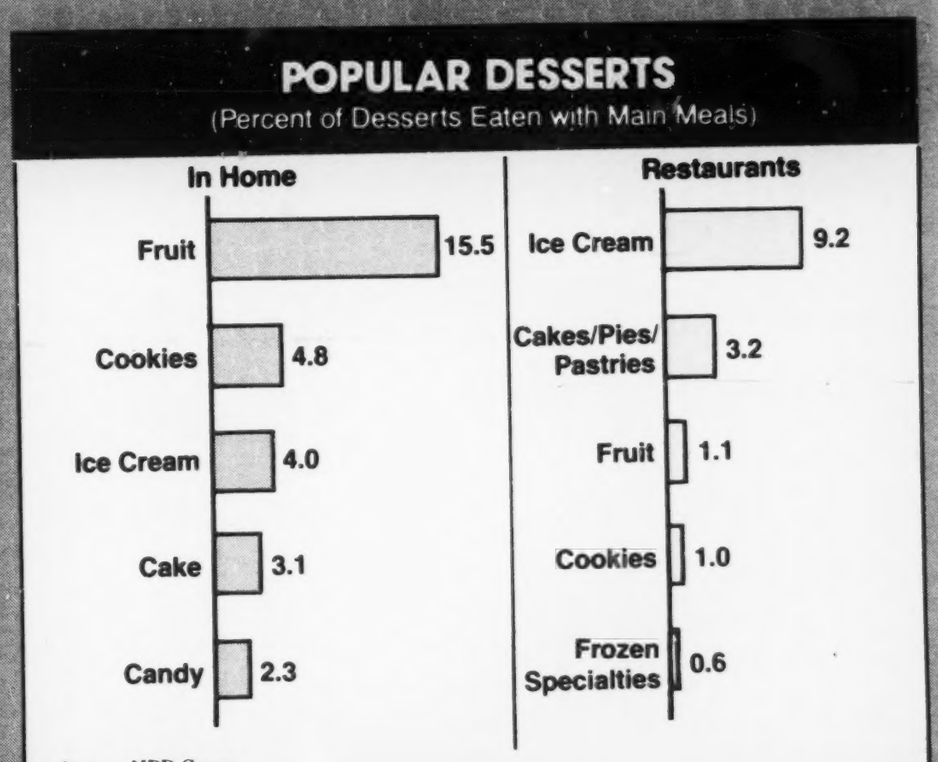
(Percent of Main Dishes Consumed at Breakfast)




Source: NPD Group

**POPULAR DESSERTS**

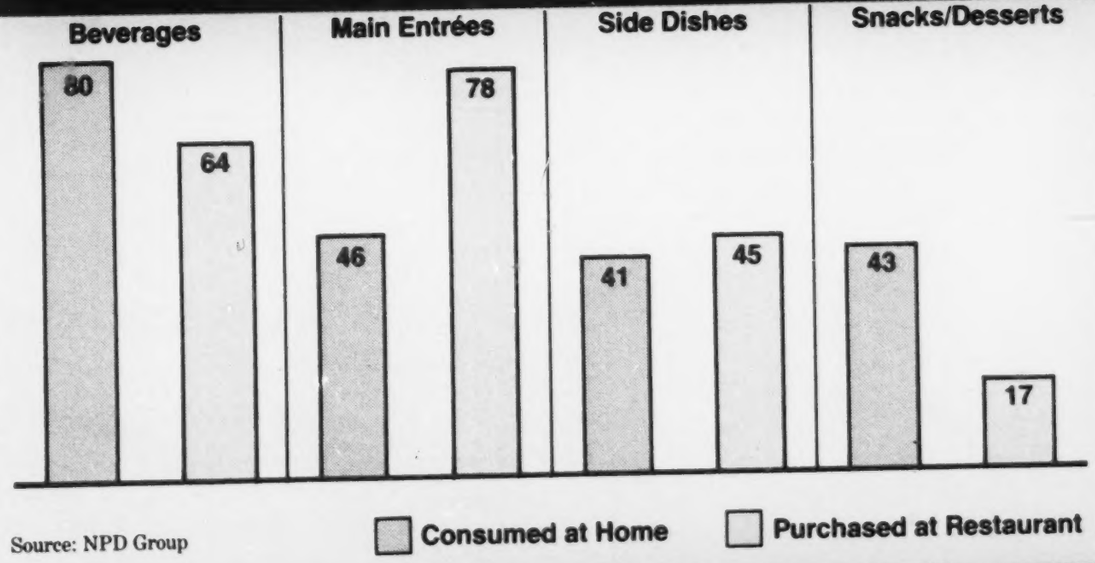
(Percent of Desserts Eaten with Main Meals)




Source: NPD Group

**HOME VS. RESTAURANT MEALS**

(Percent of Total in Home Restaurant Meals Including Types of Dishes, March 1986-Feb. 1987)




Source: NPD Group

**MOST POPULAR FOOD/BEVERAGE ITEMS BY CATEGORY**

(Incidence at All Meals/Snacks)

| | In Home | Restaurants |
|---|---|---|
| Beverages | Milk (19.4%) | Soft Drinks (29.7%) |
| Entrées | Red-Meat Sandwiches (9.0%) | Red-Meat Sandwiches (29.7%) |
| Side Dishes | Vegetables (18.4%) | Potatoes (32.5%) |
| Desserts | Fruit (15.5%) | Ice Cream (9.2%) |
| Breakfast | Ready-to-Eat Cereal (11.8%) | Eggs (4.2%) |

Source: NPD Group

# FOCUS | NRN

*Potatoes were rated the most popular side dish items in restaurants, while vegetables were so named for the home.*

## Eating trends

*(Continued from page F70)*

11.7 percent, followed by poultry and seafood. In the home, however, combination dishes scored second-highest after red-meat sandwiches, followed by beef and poultry.

Potatoes were rated the most popular side dish items in restaurants, while vegetables were so named for the home.

Favorite desserts? In restaurants they were ice cream. At home: fruit.

At home, ready-to-eat cereals, followed by eggs, were said to be the growing choice among respondents for breakfast (up 11.8 percent and 6 percent, respectively), while breakfast favorites at restaurants were less clear-cut. Those showing a preference for eggs in restaurants increased 4.2 percent, while those partial to donuts and sweet rolls, breakfast sandwiches, and pancakes, waffles, and French toast increased between two and three percentage points.

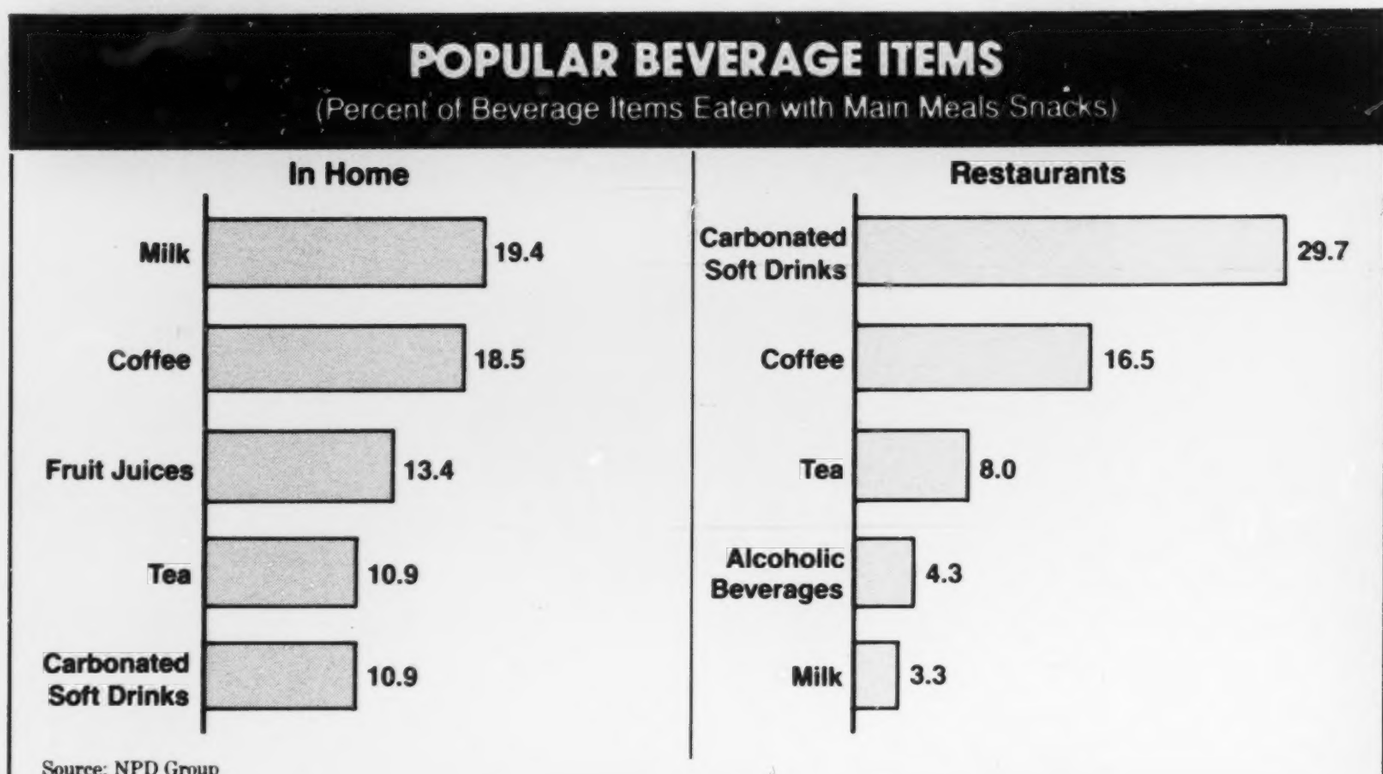
Popular beverage items showed differences between the house and the restaurant.

In restaurants the favored drink was carbonated soft drinks (29.7 percent), followed by coffee (16.5 percent), tea (8 percent), alcoholic beverages (4.3 percent), and milk (3.3 percent).

In contrast, milk was the favored drink in the home (19.4 percent), followed by coffee (18.5 percent), fruit juices (13.4 percent), tea (10.9 percent), and carbonated soft drinks (10.9 percent).

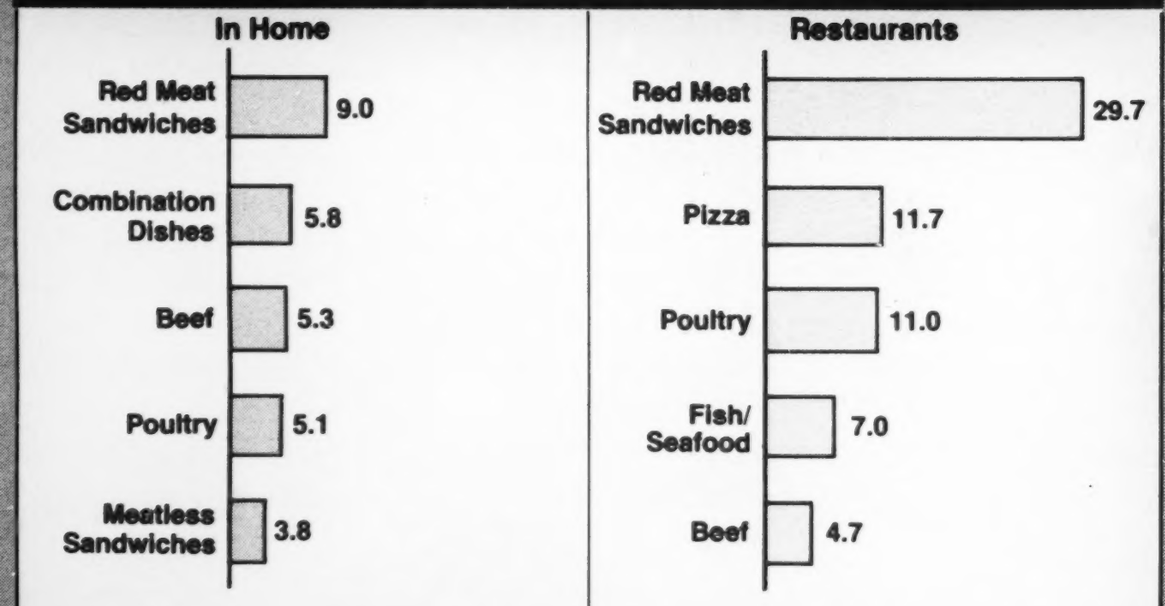
*(See **EATING**, page F74)*

**POPULAR BEVERAGE ITEMS**
(Percent of Beverage Items Eaten with Main Meals/Snacks)




Source: NPD Group

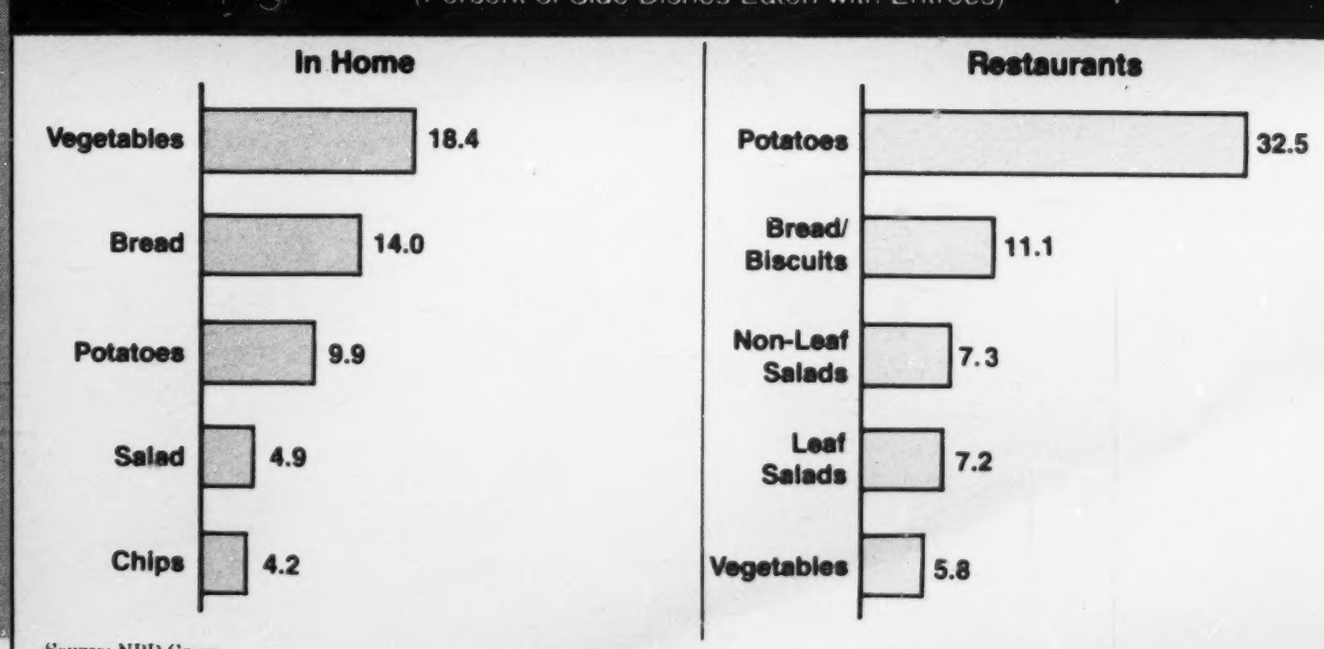
**POPULAR ENTRÉES**
(Percent of Entrées Eaten for Main Meals/Snacks)




Source: NPD Group

MORE CHARTS SEE PAGE F74

**POPULAR SIDE DISHES**
(Percent of Side Dishes Eaten with Entrées)




Source: NPD Group

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# NDP Group Report: Eating Patterns in America

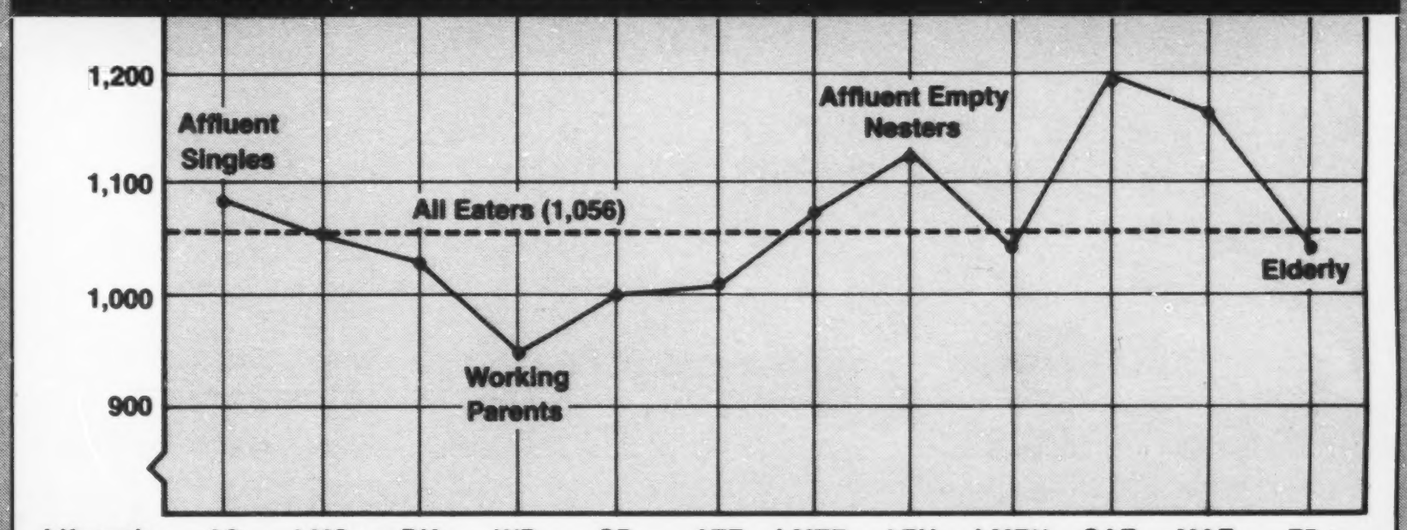
## EATING BEHAVIORS AND LIFECYCLES

Throughout this section, lifecycle groups will carry the following abbreviations:

- **AS — Affluent Singles:** Under 65, household income is $18,000 or more a year.
- **LMS — Low/Mid Income Singles**: Under 65, household income is under $18,000 a year.
- **DK — Double Income, No Kids**: Couples under 45 years, without children, both employed.
- **WP — Working Parents**: Male and Female under 65 years, both employed with children.
- **SP — Single Parents**: household head (typically female) under 65, without spouse, with children.
- **ATF — Affluent Traditional Families**: Children (under 18 years) present and only one spouse employed, per capita income is $7,000 or more a year.
- **LMTF — Low/Mid Income Tradition Families**: Children (under 18 years) present and only one spouse employed, per capita income is less than $7,000 a year.
- **AEN — Affluent Empty Nesters**: Middle age households without children under 18 years, per capita income is $14,000 or more a year.
- **LMEN — Low/Mid Income Empty Nesters**: Middle age households without children under 18 years, per capita income is less than $14,000 a year.
- **SAE — Single Active Elderly**: Single and between 65 and 74 years.
- **MAE — Married Active Elderly**: Married and between 65 and 74 years.
- **75+ — 75 Years and Older**: Household head is 75 or more years.

## WHO ARE THE MOST ACTIVE EATERS?

(Annual Number of Meals/Snacks Per Person — All in-home, carried, restaurant meals and snacks)



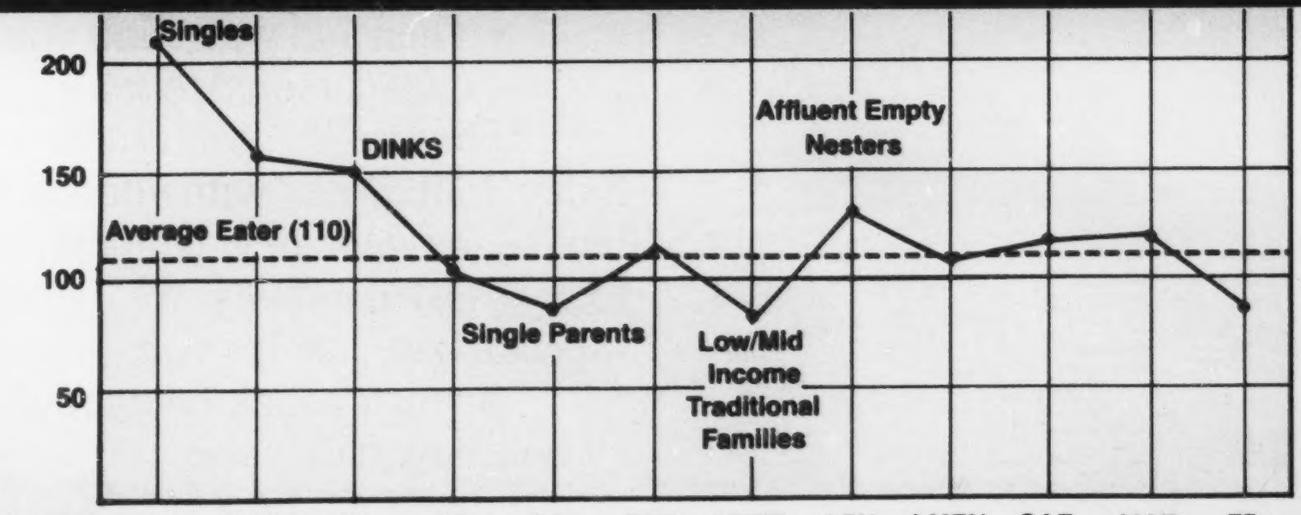

| Lifecycle | AS | LMS | DK | WP | SP | ATF | LMTF | AEN | LMEN | SAE | MAE | 75+ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Meals | 1,083 | 1,056 | 1,031 | 947 | 992 | 1,004 | 1,070 | 1,120 | 1,044 | 1,198 | 1,160 | 1,146 |

Source: NPD Group

See EATING BEHAVIORS AND LIFECYCLES table for key to abbreviations.

## WHO ARE THE MOST ACTIVE RESTAURANT USERS?

(Annual Restaurant Meals/Snacks Per Person — Includes Take-Home)




| Lifecycle | AS | LMS | DK | WP | SP | STF | LMTF | AEN | LMEN | SAE | MAE | 75+ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Meals | 207 | 157 | 150 | 104 | 83 | 113 | 81 | 132 | 107 | 114 | 116 | 83 |

Source: NPD Group

See EATING BEHAVIORS AND LIFECYCLES table for key to abbreviations.

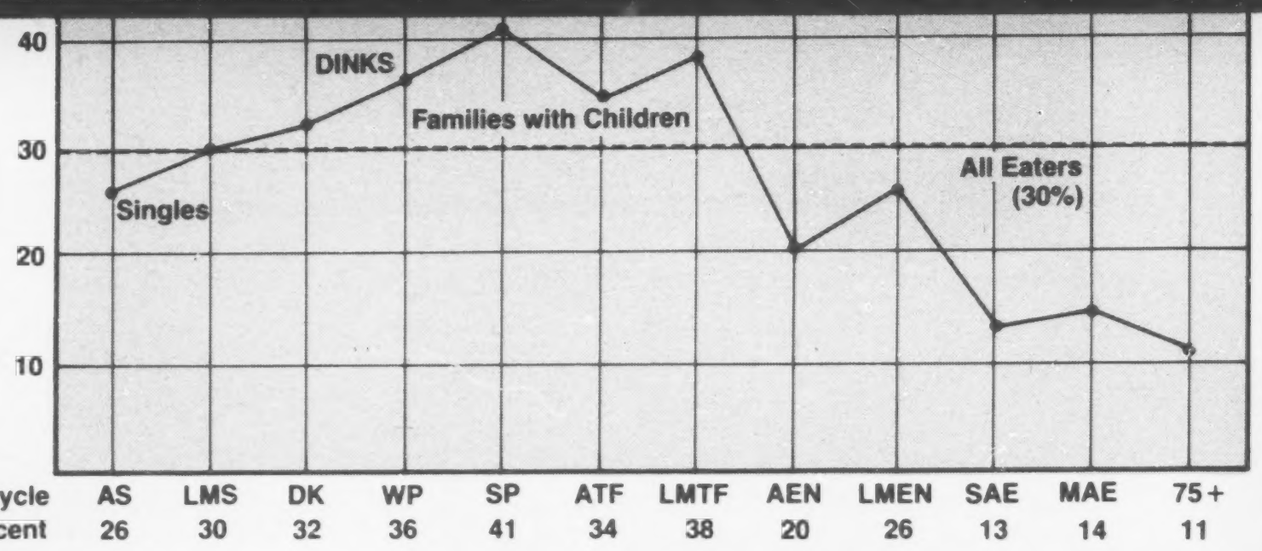
MORE CHARTS SEE PAGE F76

# FOCUS | NRN

# NDP Group Report: Eating Patterns in America

## LIFECYCLE PROFILE — CARBONATED SOFT DRINKS AT RESTAURANTS

(Percent of Restaurant Meals Snacks Including Carbonated Soft Drink)



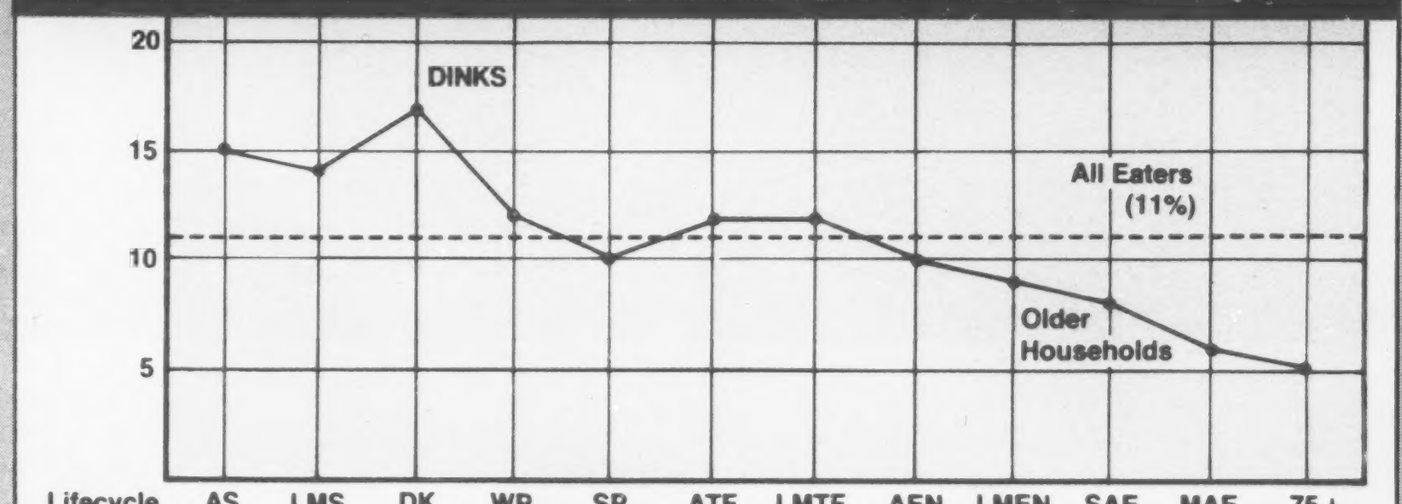

| Lifecycle | AS | LMS | DK | WP | SP | ATF | LMTF | AEN | LMEN | SAE | MAE | 75+ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Percent | 26 | 30 | 32 | 36 | 41 | 34 | 38 | 20 | 26 | 13 | 14 | 11 |

Source: NPD Group

See **EATING BEHAVIORS AND LIFECYCLES** table, page F74, for key to abbreviations.

## LIFECYCLE PROFILE — CARBONATED SOFT DRINKS AT HOME

(Percent of Meals Snacks at Home Including Carbonated Soft Drinks)



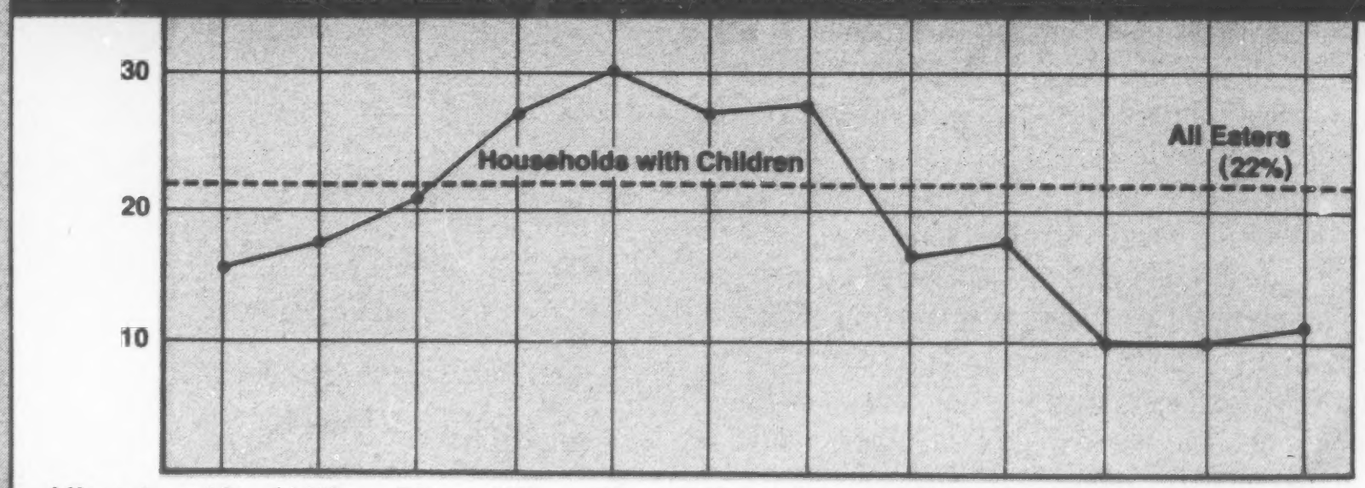

| Lifecycle | AS | LMS | DK | WP | SP | ATF | LMTF | AEN | LMEN | SAE | MAE | 75+ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Percent | 15 | 14 | 17 | 12 | 10 | 12 | 12 | 10 | 9 | 8 | 6 | 5 |

Source: NPD Group

See **EATING BEHAVIORS AND LIFECYCLES** table, page F74, for key to abbreviations.

## THE IMPORTANCE OF TAKE-HOME TO TOTAL RESTAURANT EATING

(Take Home Share of Total Restaurant Meal Snacks per Person)




| Lifecycle | AS | LMS | DK | WP | SP | ATF | LMTF | AEN | LMEN | SAE | MAE | 75+ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Percent | 15 | 17 | 21 | 27 | 30 | 27 | 28 | 16 | 17 | 10 | 10 | 11 |

Source: NPD Group

See **EATING BEHAVIORS AND LIFECYCLES** table, page F74, for key to abbreviations.

6/15/88

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NEWSPAPER

**Health care feeders find new frontiers**

Focus section follows page 40

**Kitchen p... aren't al...**

Equipment/p...

**...kle Fork takes aim**

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Nation's
# Restaurant News®

*The Weekly Newspaper of the Food-Service Industry*

Vol. 22, No. 24 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $26.50 a year | June 13, 1988

# Fine-dining coupons flop

## *Operators irked by plundering patrons*

**By Jack Hayes**

Fine-dining operators across the nation are complaining that coupons and restaurant profits mix like horseradish and heavy cream.

The main flaw, said white-tablecloth chefs, owners, managers, and marketing executives, is that coupons discourage free menu selection—turning patrons away from important profit items like desserts, wines, and appetizers in favor of heavily discounted entrées, often two for the price of one.

"It was wrong getting into coupons," lamented Kurt Karl A. Eisele, a suburban Atlanta operator who is being plundered by coupon bearers at his two-year-old Kurt's Cuisine in Norcross, Ga.

Hidenori Mukai, executive chef at New Japan in Evanston, Ill., agreed, saying, "It [couponing] brings out customers, but you lose money in the long run."

"Coupons might be great at a Hardee's, but in fine dining you're not turning tables every 20 minutes," warned Glenn Matsuura, president

*(See **COUPONS**, page 7)*

# McD scoffs at takeover talk

## *Quinlan denies reports at stockholder meeting*

**By Charles Bernstein**

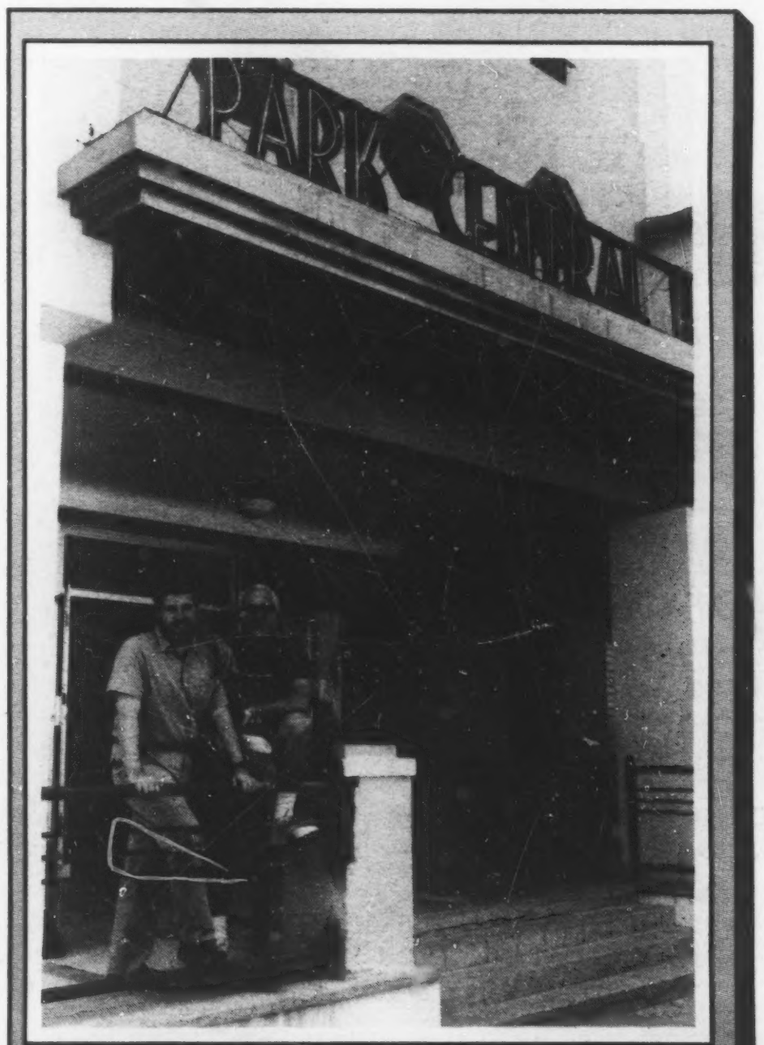
OAK BROOK, Ill. — McDonald's is not the least bit interested in any merger as either an acquirer or acquiree, president and chief executive Michael Quinlan declared after the annual stockholder meeting here last month on the pastoral campus of Hamburger University here.

News Analysis

In answer to questions from this editor at a press conference, Quinlan ruled out any merger and emphasized that McD would not test or try any diverse concepts (such as it did in the 1960s and early 1970s with secret tests of pie shops and other ideas).

Reports have surfaced periodically that at some future time Pepsico might try to bid for McDonald's as by far the No. 1 burger chain, although it has never

*(See **MCDONALD'S**, page 7)*




NRN Photo

Partners Allen Susser, left, and Tony Goldman.

## *Restaurateurs lead comeback in Miami*

**By Marilyn Alva**

MIAMI BEACH, Fla. — After years of decline, the Art-Deco-flavored southern end of Miami Beach is regaining its luster as a trendy seaside resort in a makeover led by enterprising restaurateurs.

An estimated $200 million in new commercial projects are either under way or planned on South Beach, and many are for new restaurants, bars, cafes, nightclubs, and hotel remodelings.

More than two dozen new restaurants and cafes have opened in the last year and a half alone, a remarkable occurrence when one considers that vir-

*(See **SOUTH BEACH**, page 104)*

FOOD WATCH

## *Calico bean soup bowls 'em over*

MINNEAPOLIS — If the first few weeks of spring were any indication, the hot seller at Country Kitchen family restaurants this summer might well be steaming bowls of calico bean soup, a hearty concoction ordered an average 2,730 times per day.

"We've never served so much soup before," said Allan Post, senior vice president of marketing for the 250-unit chain. "The hotter it gets in Phoenix, the more calico bean soup we serve."

Country Kitchen said it has sold more than 1 million bowls of the soup since adding it to the menu a year ago. The idea came, not from the chain's research-and-development department, but from an executive's wife, who discovered the recipe at a church bazaar.

The soup is made with a ham stock and seven types of beans: kidney, great northern, navy, pinto, baby lima, large lima (also known as butter beans), and black-eyed peas.

—Peter J. Romeo

# 1 in 5 diners refuse to tip for bad service

**By Tracey Taylor Woodard**

NEW YORK — Four out of five American restaurant-goers say they cut back on tips if they are dissatisfied with service, according to an exclusive new Nation's Restaurant News survey.

In addition, one in five say bad service deserves no tip at all.

The survey comes at a time when a controversy is raging over whether restaurants should allow voluntary tipping or impose mandatory service charges.

Many operators of fine-dining, white-tablecloth restaurants are mulling over service charges, ranging from 12 percent to 18

NRN/SRI Poll

percent, to cover new costs stemming from a new FICA tax, to streamline tip-reporting paperwork, and to professionalize front-of-the-house service.

The latest NRN/SRI Poll, conducted for Nation's Restaurant News by Lincoln, Neb.-based SRI Research Inc., shows 80 percent of the diners questioned reduce a tip if

*(See **NRN/SRI**, page 4)*

**What's your vote: Tips or service charges?**

Nation's Restaurant News wants to know where you, as a member of the food-service industry, stand on the issue of tipping vs. service charges.

To lodge your point of view, call the NRN Hot Line toll-free, 1 (800) 678-7711.

When you call, a recorded message will ask you to state your opinion. You can leave your name and phone number or remain anonymous.

Watch for the results in an upcoming issue of NRN.

**NRN Hot Line**
**1 (800) 678-7711**

Charles Bernstein on the industry's shame: age discrimination — page F3

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Vol. 22, No. 24

June 13, 1988

# NEWS DIGEST

## NRA stages 'phone-a-thon' to muster wage opposition

WASHINGTON — With the House of Representatives slated to vote June 22 on a bill raising the minimum wage, the National Restaurant Association is attempting to organize an enormous grass-roots phone-a-thon and telegram effort urging food-service operators to voice their opinions.

Operators are being asked to immediately write or telegram their local congressmen or phone them through the Capitol switchboard at (202) 224-3121 on June 20 to register opposition to an increase in the minimum-wage rate.

## Staley agrees to sell CFS Continental to Sysco

CHICAGO — In a deal that will redraft the battle lines of food-service distribution, Staley Continental has agreed to sell CFS Continental, the industry's No. 3 contender, to Sysco, the largest player, for $700 million.

The purchase would further distance Houston-based Sysco from Kraft, the No. 2 player that has grown by leaps and bounds in recent years through acquisitions.

A sale of Chicago-based CFS Continental had been expected since Staley, a major corn processor, agreed on May 13 to merge with Tate & Lyle, a British holding company.

Beforehand, Tate & Lyle indicated that it would sell CFS to help defray the cost of the deal.

Kraft was believed to be among the other bidders for CFS. The field of suitors also included Sara Lee Corp. and International Multifoods, according to widespread industry reports.

Sysco's purchase of CFS is expected to be completed by the middle of summer.

## Ryan's reins in growth to bolster unit sales

GREENVILLE, S.C. — Ryan's, the 108-unit family steak-house chain based here, has scaled down its proposed expansion plans because of sluggish in-store sales and declining stock prices.

"We're just not seeing enough results from our new stores to proceed with breakneck growth plans," said Ryan's president Mark McCall. "Same-store sales are down approximately 5 percent systemwide and lower in some of the Midwest units. Our stock, which had climbed as high as 15 in September, is presently trading below six."

In an effort to reverse the tailspin, Ryan's has added Mexican and Italian items to its Mega-Bar buffet and is testing a $4.29 Breakfast Bar in 10 stores.

Although Ryan's had scheduled 26 unit openings in 1988, McCall says that the actual number would be closer to 20.

## Ore. bank, BK operator team up to offer scrip

PORTLAND, Ore. — Customers of a bank here can now use their electronic teller cards to withdraw "Burger Bucks" scrip from machines in five area Burger King restaurants.

The scrip, in $10 and $20 denominations, can be used like cash to make purchases in franchised Burger Kings operated by Restaurant Management Northwest Inc.

The amount of the Burger Bucks withdrawn and a 10-cent transaction fee are electronically deducted from the checking account of the U.S. Bank customer using the scrip machine.

The scrip machines are owned by the restaurant management company and kept stocked by store-level employees, according to banking officials.

Restaurant Manangement Northwest executives said the scrip machines were installed for customer "convenience."

An employee at the Canyon Road Burger King said the scrip machine at his unit was being used five to six times a day in the week after it went on line. He also said that a summer coupon promotion offering people a free Whopper if they come in and use the scrip machine was planned.

## Taco Bell adds 'Mexi Melt' cheese-filled soft taco

IRVINE, Calif. — Trying to lure cheese eaters into its quick-service Mexican restaurants and build average tickets, Taco Bell has added a 99-cent "Mexi Melt" soft taco to its menu.

The MexiMelt is a warm flour tortilla filled with cheddar cheese, pepper-laced Monterey Jack cheese, taco meat, and a salsa-like "pico" sauce.

Window banners, menu board panels, and buttons worn by counter workers herald the new product. Some point-of-sale materials suggest that customers "add" a Mexi Melt to their regular order.

Mexi Melts are an extension of Taco Bell's soft taco line and are heated in the special ovens the chain installed for the roll-out of its "Mexican Pizza."

## RMS renegotiates sale after management fails

MACON, Ga. — Management's deal to acquire Shoney's franchisee Restaurant Management Services for $47 million has fallen through, sending the coffee-shop operator back to the negotiating table.

The purchase agreement, which was signed on May 11, called for a management-led group to purchase all outstanding shares of RMS for a total of $47 million, or $11 a share. The parties allowed the deal to lapse.

"I think they had trouble coming up with the financing," said Barry Stouffer, an analyst at J.C. Bradford & Co. in Nashville, Tenn.

RMS said it would continue to negotiate with interested parties, including the management-led group.

## Gilbert/Robinson launches drive to license Ott's

KANSAS CITY, Mo. — Gilbert/Robinson, operator of the Houlihan's and Darryl's casual dinner-house chains, said it plans to franchise its 11-year-old Fred P. Ott's Bar & Grill concept.

The effort marks the first time Gilbert/Robinson has attempted to franchise one of its many restaurant concepts on a wide-scale basis. The concern said its only licensed restaurants at present are a few Houlihan's in New York City.

Gilbert/Robinson currently operates two self-service Fred P. Ott's restaurants, both in Kansas City. The units feature hamburgers, hot dogs, grilled sandwiches, and an array of beers.

## New Orleans cracks down on restaurant tax dodgers

NEW ORLEANS — An investigation of tax irregularities by the Orleans Parish district attorney has resulted in the filing of charges against a number of local restaurants and bars.

Diego Navia, operator of a now-closed eating and drinking place called Diego's East, has already pleaded guilty to charges of tax evasion. He has agreed to pay $9,000 in outstanding taxes within the next two years, according to the district attorney's office. During that time, the office indicated, Navia will be on "active probation."

Yet to be decided are the fates of four other operators charged with tax violations as part of the crackdown.

## Conn. McD unit offers phone-in pickup service

WEST HARTFORD, Conn. — In what appears to be a test, a McDonald's unit here is featuring a new service whereby patrons phone in orders from their homes and then pick up the orders at a counter station reserved for that purpose.

It was not clear whether the unit was licensed or company-operated.

Some franchisees of the 10,000-unit chain have experimented with alternate means of getting Big Macs into patrons' hands. A licensee in Illinois, for instance, is offering limited delivery service.

NRA SHOW WRAP—UP

# Lake Ozark lodge, Greenbriar take awards

**Lonnie Alexander finishes up his U.S.S. Constitution model.**

CHICAGO — Winners of two best of show awards at the National Restaurant Association's 18th annual Culinary Arts Salon were The Lodge of the Four Seasons in Lake Ozark, Mo., and the Greenbriar Hotel in Greenbriar, W. Va.

The Lodge of the Four Seasons' grand buffet entry included a 3½-foot model of the Old Ironsides frigate, made mostly of sugar. Team members were Andre Torres, executive chef; Lonnie Alexander, pastry chef; Steven Zimmerman, sous chef; and Matt Robinett.

Lawrence McFadden of The Greenbriar received the best of show during the first session of the salon. Judges' special awards in that session went to Leo Waldmeier of the Drake Hotel in Chicago for most original entry; Alain Roby of the Hyatt Regency in Chicago for pastry; and to Alex Darvishi and Arnold Tokars of the Athletic Club of Columbus, Ohio.

Special awards in the second session were presented to James Hanyzeski of the Amway Grand Plaza Hotel in Grand Rapids, Mich., for best of show in individual hot food, displayed cold; Cynthia Costor of the same hotel for pastry; Guenter Lorscheidt of Four Seasons Inn on the Park, Toronto, for most original entry; and Patty Sinkeldam, Central Piedmont Community College, Charlotte, N.C., for best entry by a junior culinarian.

Other gold medal winners were Robert Straw and Candice Bates of Sullivan College.

The competition was held in two segments for the first time this year because of the large number of entrants. This salon is recognized and endorsed by the American Culinary Federation and the Chefs of Cuisine Association of Chicago.

# *Kemp asserts: Service jobs offer great hope of economy*

**By Charles Bernstein**

CHICAGO — Rep. Jack Kemp, R.-N.Y., declared here last month that "to look down our noses at service industry jobs is to walk away from the greatest hope of our economy."

Kemp, a Republican presidential candidate earlier this year, was apparently referring to the food-service industry's "Help Wanted" crisis in a Pepsi-Cola sponsored talk to leading industry executives at the Drake Hotel during the National Restaurant Association Show.

Still touted by some as a potential Republican vice presidential candidate, Kemp was noncommittal when asked privately if he was interested in the vice presidency nomination or would seek it.

Pointing to all-time home-run hitter Hank Aaron, another invited guest of Pepsi-Cola, former professional football quarterback Kemp vehemently advocated a total free enterprise system.

"What do you suppose would happen if we had taken away the financial rewards for big home-run hitters like Hank Aaron and Reggie Jackson?" Kemp asked rhetorically. "When you take away the rewards for the big hitters in our economy, you hurt everyone."

*Kemp: Free enterprise is the answer to poverty and unemployment.*

Thus the best response to inflation is to keep the economy growing by producing more income, he asserted. "Low tax rates for the heavy producers in our economy are the answer," he said in presenting his own version of Reaganomics.

Deploring a "media-inspired" negative outlook on the American economy, Kemp declared that "we've got to maintain a positive attitude," and "we shouldn't be flagellating ourselves for every little thing."

The only real answer to poverty and unemployment, in Kemp's view: total, unmitigated free enterprise with virtually no government interference.

"Freedom, free enterprise, justice, and low tax rates on workers and entrepreneurs may sound like clichés," Kemp said, "but they do work in our system, and we must never forget that."

Roger Enrico, chief executive of Pepsico Worldwide Beverages and author of the controversial book "The Other Guy Blinked," introduced the 18-year congressman as "the man we can thank for our current 28-percent tax rate ceiling and for dramatizing the importance of keeping government out of people's hair."

# Roundtable for Women honors five Pacesetters

CHICAGO — Five food-service executives were honored with 1988 Pacesetter awards at the annual Roundtable for Women breakfast in the Chicago Hilton last month.

They were Marian Ilitch, secretary-treasurer of Detroit-based Little Caesars Pizza restaurants, the world's top volume carryout chain; Beverly Lowe, food-services director of the Hampton City, Va., public-school system; Virginia Mayer, president of Tempe, Ariz.-based Sun West Services, a food-service management firm; Catherine "Kacoo" Olinde, co-owner with her husband, Ralph, of Ralph & Kacoo's restaurant, Baton Rouge, La.; and Violet "Vi" Stancik, contract sales vice president of Cleveland-based Alco Foodservice.

Jane Y. Wallace, associate publisher of Restaurants & Institutions and editorial director of the Cahners Food Group publications, was named woman of the year for her contributions to the food-service industry over the past 30 years. George Rice, chairman of GDR Enterprises research services, presented the special award.

Presenting the five Pacesetter awards were the judges who selected the winners: Charles Bernstein, chief editor of Nation's Restaurant News; Scott Bergren, president of Round Table Pizza; Richard Conti, chairman of Laventhol & Horwath's food-services practices group; Sheldon Jones, publisher of The Food-service Distributor; and Richard Reinhard, president of Central Park U.S.A.

The leaders of the Roundtable for Women in Food Service are Beverly Totman-Ham, RWF president and president of The Bradford Group executive search firm, San Juan Capistrano, Calif.; Joan Vieweger, RWF awards chairman and vice president of The Perspectives Consulting Group, Los Angeles; Jo Ann Lovell, RWF program director, of Robert Barrie & Partners, Potomac, Md.; Joni Thomas-Doolin, RWF membership chairman, of Thomas-Doolin & Associates, Dallas; and Madeline Zuckerman, RWF communications director and vice president of Zuckerman Public Relations.

# NRN/SRI poll: no tip for bad service

*(Continued from page 1)*

they consider the service bad.

While 38 percent of the respondents knock a tip down by 1 percent to 5 percent, almost a quarter, or 22 percent, leave no tip at all for poor service.

Older people were the least likely to punish bad service, with 29 percent of those 55 and older saying they do not reduce the tip for that reason.

A full 44 percent of those surveyed leave 11 percent to 15 percent of the bill regularly as a tip. Eighteen percent indicate a 6- to 10-percent tip, with 17 percent offering a tip of 16 percent to 20 percent.

The median tip was 12.64 percent.

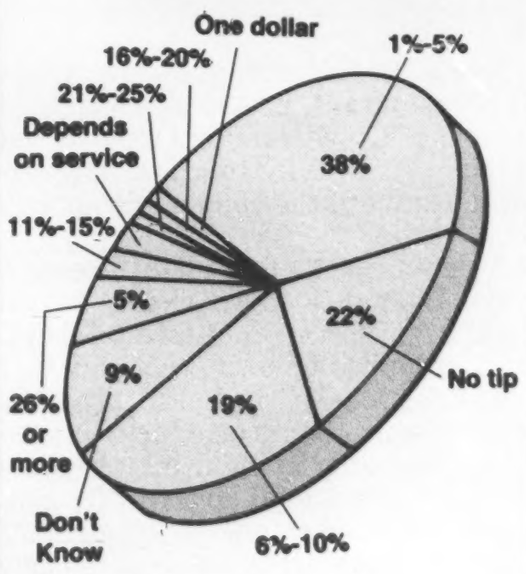
The demographic differences were slight, with 46 percent of the males and 54 percent of the females leaving between 11-percent and 15-percent tips.

People more than 35 years old may be the biggest tippers: 48 percent of those between the ages of 35 and 54 leave 11 percent to 15 percent, while 46 percent of those older than 55 do the same. Only 39 percent of those between the ages of 18 to 34 leave the average 11 percent to 15 percent.

People in the Northeast tend to give more than 10 percent, with 38 percent leaving an 11-percent to 15-percent tip and 30 percent offering one of 16 percent to 20 percent. In the other regions 45 percent of the South Central group, 42 percent of the North Central group, and 53 percent of the Western group leave an 11-percent to 15-percent gratuity.

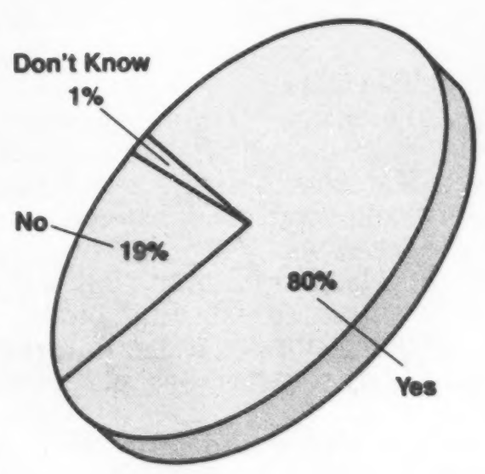
More than 1,000 consumers were contacted by telephone during May and asked three questions: What percentage of the bill do you generally leave as a tip in a restaurant? Do you reduce the amount of your tip if you consider the service bad? What percent do you knock off your ordinary tip for bad service?

**WHAT PERCENT DO YOU KNOCK OFF YOUR ORDINARY TIP FOR BAD SERVICE?**



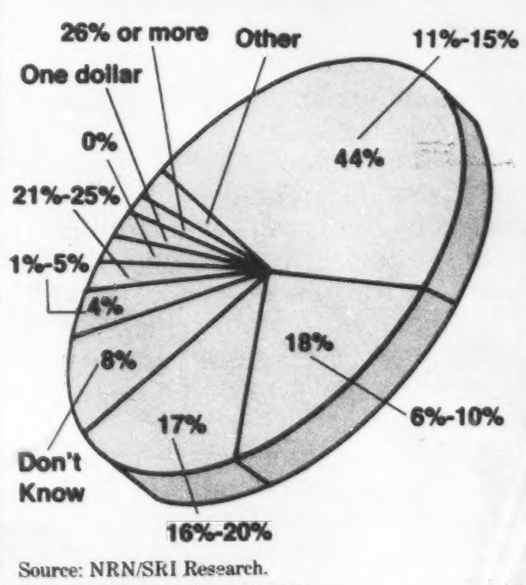

Source: NRN/SRI Research.

**DO YOU REDUCE THE AMOUNT OF YOUR TIP IF YOU CONSIDER THE SERVICE BAD?**




Source: NRN/SRI Research.

**WHAT PERCENTAGE OF THE BILL DO YOU GENERALLY LEAVE AS A TIP IN A RESTAURANT?**




Source: NRN/SRI Research.
Demographic breakdowns available

Nation's Restaurant News

# FOCUS

## Health-care food service:

# STRETCHING THE BOUNDS

The patient tray line at the State University Health Science Center.

### Health center food service expands to offset costs

By Rajan Chaudhry

At the State University of New York Health Science Center in Brooklyn, only 30 percent of meals made in the kitchen go to feed patients.

Like more and more hospitals nationwide, the center is developing alternate sources of food-service revenue, including catering, a public cafeteria, a tablecloth dining room,

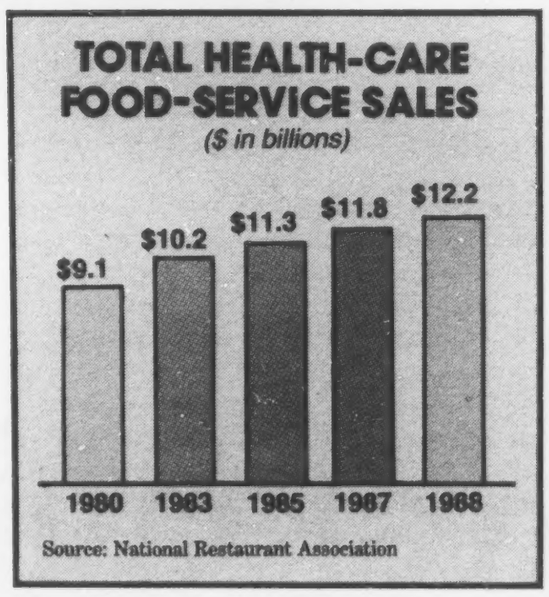
*(See **HEALTH**, page F15)*

### Hospitals explore sources of revenue in food service

Hospital administrators, seeking new sources of revenue, are stretching the bounds of hospital food service.

"The big trend is containing costs on the inpatient side of the business and trying to grow revenues on the outpatient side of the business," said Carol Carlson, vice president of marketing and professional services

*(See **HOSPITALS**, page F18)*




## VIEWPOINT this week

### Age discrimination: a waste

*Editor Charles Bernstein points out an 'obvious' and overlooked solution to the labor crisis—hiring older workers*

Page F3

### TJTC plan cuts labor costs

*At a time marked by wage increases, Ken Rankin explains how the TJTC plan can help employers defuse payroll costs*

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# FOCUS | VIEWPOINT

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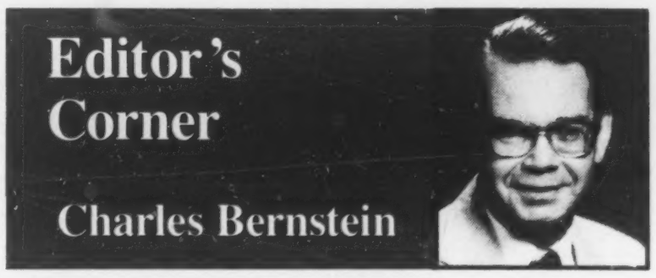
# Age discrimination: missed opportunity

While almost everyone seems to complain about the labor crisis and a lack of qualified applicants, one of the most obvious solutions is often rejected. Some of the best, most loyal employees in any business—particularly food service—are middle-aged and older.

With the partial graying of America and a large proportion of people in these age groups, it makes sense to hire the so-called graying applicants. Older, more experienced persons are urgently needed in the industry.




Yet, in spite of this critical need, more restaurants than one can imagine are passing up these opportunities. Every excuse under the sun is offered, such as the person is "too old to benefit from the pension program" when the real reason is that "we want younger people whom we can train our way."

Any way one looks at it, this comes down to age discrimination.

Letters to the editor on the subject have poured in here at a fairly steady pace. Most of the writers understandably don't want to sign their names, fearing some sort of industry retribution. But some do have the courage of their convictions and are willing to go out on the limb.

One of the most moving letters is from Dick Huntley of Greenville, S.C. "It seems as if the industry of America and the restaurants have done a pretty good job of breaking down the race and sex discrimination that once existed," he writes. "Now we need to work on age discrimination."

Huntley, 52, describes himself as being in restaurant management 32 years, "including high corporate positions." He is a member of Mensa and has a degree from Miami University Business School but "cannot get a job."

He has tried and tried. Still, the replies to his applications keep coming in a steady stream, saying he is "not qualified," even for positions lower than what he has already held. "We all know that it is age, not lack of qualifications," sums up Huntley.

The solution he suggests is particularly poignant. "To you older people out there," Huntley says, "even if you are unhappy, stay where you are. This isn't any fun."

It's sad because Huntley and others should have the right to move up to better jobs, not to be tied down to the same post by fear.

It's doubly sad because operators are spending an inordinate amount of time and effort explaining why a person is unqualified for a position for which the person is actually well-qualified. It would be more fruitful to spend the same amount of energy in recruiting and training the most qualified people of any age rather than creating phony excuses.

Another poignant case comes to mind, that of a middle-aged European refugee who was employed for years as a waitress in the Midwest. When she lost her job, she applied to hundreds of places and was given every imaginable explanation why she could not be hired.

She found the door shut at every turn and very little empathy or sympathy.

"The issue of age discrimination is very much alive but very hard to prove," writes the Roselle, Ill., woman, who prefers not to have her name printed for fear of retribution. "I am 52 years old and very experienced in the restaurant and hotel industry, but I cannot find a job."

She recalls "the good old days" when we had no law against age discrimination but apparently less actual discrimination. "It seems to me," she says, "that in the late 1950s and 1960s we had a lot more older workers in the industry. But I guess now that we have a law (passed by older congressmen and older senators) against age discrimination, there is a lot of it going on. Maybe we were better off without the law."

The woman was still unemployed as of last month despite excellent qualifications. Situations of this kind are difficult to fathom; one has to view "labor crisis" talk as absurd when qualified people like her are rejected.

Unfortunately, the antidiscrimination laws can be skirted in many ways with all sorts of pretexts suggesting why a person is supposedly unqualified or why there suddenly are no openings. Instead of searching for loopholes, why not look at the positive side of what a particular applicant can contribute? Veteran employees are likely to stay longer and reduce the constant turnover that plagues the industry.

Higher salaries earned by experienced applicants who are hired represent well-invested dollars that can yield a higher return in productivity and performance while reducing the need for endless recruiting.

Many readers well may say that this is an exaggeration and that these are isolated cases. We'd like to think so, and we're sure that many operators are open-minded and believe in hiring qualified people regardless of age. But the reality is that many employers are looking for a "younger image" and overlook a vital source of employees in veteran and experienced personnel.

Whatever the motive, the result is the same: a blatant loss of opportunity not only for the veteran employees but for the entire food-service industry.

It is time to reverse this syndrome and focus on qualifications regardless of age. Experience and wisdom should not be ignored in the pell-mell rush for a youthful approach.

## *LETTERS*

### *Government-set wages, free enterprise don't mix*

Editor, NRN:

It was with interest and astonishment that I read in your May 2 issue the remarks of Donald Campbell, president of the Cleveland-based Kenny King Corp., lambasting the food-service industry for not lobbying *for* an increase in the minimum wage.

Search as I did, I found no news story which reported Donald Campbell being held hostage by zealots demanding that he pay only the minimum wage *or else*! Mr. Campbell will probably be the first to tell everyone that he believes in the "free enterprise system" and that he exemplifies "free enterprise" at its best—after all, he does own 52 KFC franchises. Mr. C's holdings tell us that he firmly believes in the "*private* enterprise" system.

However, Mr. C's remarks reveal that he doesn't believe in (or perhaps understand) the "free enterprise" system. What Mr. C's remarks reveal is that what he really wants is for the government *to regulate his competitors*; thereby relieving him of having to compete in a free enterprise system.

Neither Mr. Campbell, nor anyone else in the food-service industry, is required to pay *only* the minimum wage! Mr. Campbell could, for example, begin his KFC trainee's wages at $100 per hour. Perhaps Mr. C should have read the article entitled, "They Won't Work for McPeanuts Anymore."

If Mr. C can't find workers at the minimum wage, it would seem to indicate that the workers know more about how "free enterprise" works than Mr. C does.

I've got news for you, Mr. Campbell, the correct *government regulated* wage for a *free enterprise* system that is to remain viable and competitive in markets at home and abroad is ZERO!

**—Joyce E. Thomann**
Annapolis, Md.

### *Adage worth repeating: you get what you pay for*

Editor, NRN:

We would like to again congratulate Rick Van Warner for yet another fine column on equipment. His Feb. 22 feature, "When buying equipment, remember: you'll get what you pay for," really hit home for us.

Van Warner knows the equipment business and put his finger on a sensitive issue— the manufacture of low-quality equipment that is sold at "bargain"-prices— that often repays the operator with higher maintenance costs, more downtime, less efficiency, and a shorter productive life.

When evaluating an equipment purchase decision, a smart operator takes into account energy costs, labor savings, yearly maintenance expenses, useful life, and even trade-in value.

It is easy for an operator to make a regrettable, short-sighted purchasing error if he leaves quality out of the old price-quality-value equation.

We couldn't have said it better ourselves when Van Warner said, "But for serious operators that plan on sticking around, an old adage, You get what you pay for, rings true."

**—Russell L. Bean**
*marketing services manager*
Groen
Elk Grove Village, Ill.

# FOCUS | COVER STORY

## HEALTH CENTER FOOD SERVICE

*(Continued from page F15)*
controlling inventory to calculating recipes for odd numbers of portions.

Administrators also plan to offer the ARA/Baxter Healthcare Corp. line of frozen Light and Right take-out dinners, retailing for around $3, through the hospital cafeteria.

Another source of revenue is the hospital's ARA-run outpatient nutrition clinic, which averages 150 visits a month.

Meals for all the center's programs are prepared in the 4,500-square-foot kitchen in the hospital's basement. The kitchen is open seven days a week from 5:30 a.m. to 8 p.m., often later for banquets.

On an average week the food service purchases 3,000 pounds of meat and poultry, 250 pounds of fish, 2,500 pounds of fruits and vegetables, and 3,600 half-pints of milk, according to Annette Hastings, assistant food-service director.

The food service employs 140 full- and part-time workers—a full-time equivalency of 112. Ten percent of the contractor's labor costs are for management; 15 percent are for clinical people, such as dietitians and diet coordinators; 40 percent are for service personnel; 20 percent are for production people; and 15 percent are for sanitation workers.

Like other segments of the industry, hospital food-service programs are feeling the effects of the labor shortage.

Administrators across the country report critical shortages of registered dietitians, for example.

Recently, it took Neuhs and Hastings five months to fill an opening for chief dietitian. Part of the problem, they say, is that the job requires considerable education and often doesn't pay well.

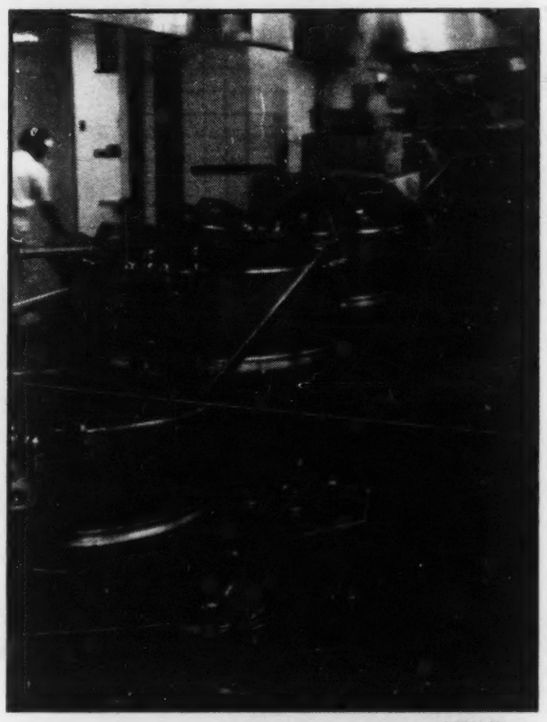
To be eligible for registration, dietitians must complete a bachelor's degree and a 10- to 18-month internship or a master's degree and 6 months' work experience, Neuhs says. And starting salaries range from $20,000 to $24,000.

The number of dietitian internships has also dropped in recent years, says Gerry Ehrlich, vice president of marketing and health-care sales at Mobile, Ala.-based Morrison's Custom Management.

And the health science center's own community and clinical dietetics program—which was offered through the College of Health Related Professions—fell victim to cost cuts in the late 1970s, says Neuhs, who received his bachelor's degree in dietetics from the school in 1976.

The shortage could have serious patient-care implications, Neuhs explains, because dietitians provide the link between patient and kitchen.

"It's a lot more difficult dealing with people in health care versus dealing with your commercial clients," he observes. "I mean, you react very quickly when you're out in the cafeteria and there's an issue or a customer brings you a complaint. In health care, you're almost dealing with an invisible population, and you have to somehow develop a sensitivity to its needs. That's really where the dietitian comes in."



NRN Photo

**Soup kettles in the University Health Science Center at Brooklyn kitchen.**

## HOSPITALS

*(Continued from page F1)*
for ARA's Healthcare Nutrition Services.

- At 447-bed Sinai Hospital of Baltimore, administrators opened a 14-seat tablecloth restaurant, called the Stork Club, for mothers-to-be and their families.

The menu features New York Strip sirloin, lobster tail, and chicken cordon bleu, with fresh-baked bread, baked potato with butter and sour cream, fresh vegetable de jour, and a choice of beverage.

Entrées range from $9 to $12, including dessert and a salad. Gift certificates for the meals are sold at the lobby shop and the cashier's office.

- At 157-bed Irvington General Hospital in Irvington, N.J., the cafeteria is open to the public, and administrators use the gourmet food service to attract patients.

A quarter-page ad run in local newspapers in April read: *A Great New Restaurant Is Now Open in a Most Unlikely Place.*

*It's in your new hospital. The new Irvington General Hospital, to be exact. Where grilled salmon was on yesterday's menu, and London Broil could be on tomorrow's.*

*But we're not out to win raves from restaurant reviewers. We're out to make people feel better. So our food is planned to satisfy a proper diet.*

*Then it's prepared to satisfy our patients. At the new Irvington General Hospital, we didn't make our food better for our health. We did it for yours.*

- At Sentara Norfolk General Hospital in Norfolk, Va., the restaurant—the Brass Rail—became so successful that the hospital had problems maintaining non-profit status, said hospital spokesman Don Depp.

Administrators restructured the restaurant so that the Brass Rail, instead of sharing revenues with the hospital, now pays rent.

- At 750-bed National Baptist Hospital in Nashville, Tenn., employees and visitors can buy take-out baked goods in the cafeteria.

The bakery items come in packages that bear the hospital logo.

- And all over the country, fast-food restaurants are cropping up in hospitals.

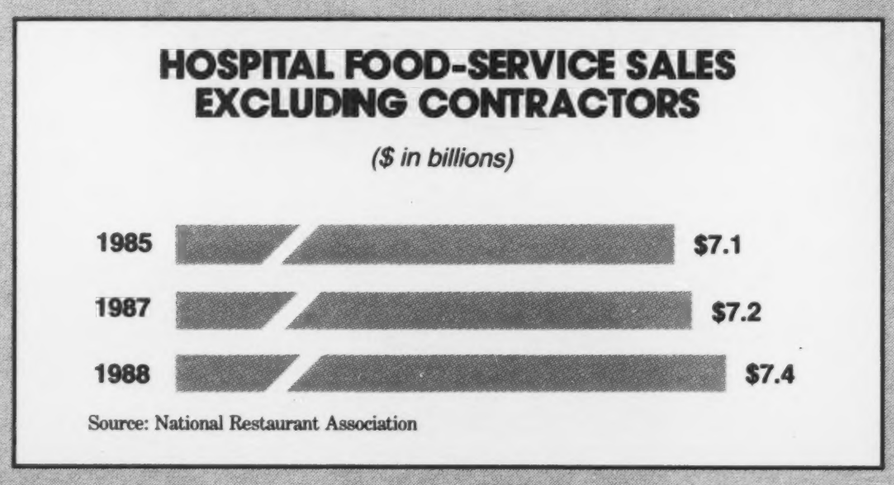
"Even McDonald's and Friendly's and those folks are in hospitals, and the way they operate is that they pay the hospital either for the space or else a commission on the sales," Carlson says. "So it's a win-win for the hospital."

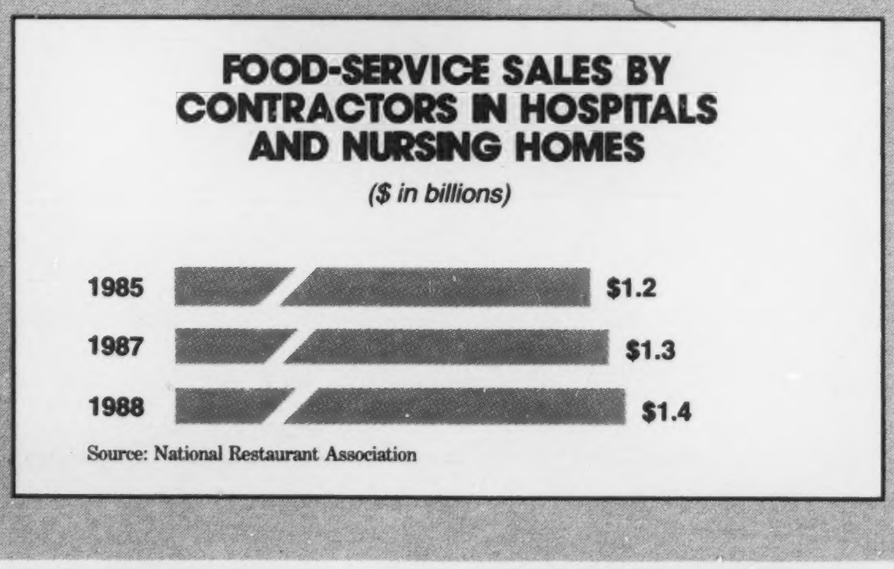
McDonald's first such unit opened in April 1977 in Philadelphia's Children's Hospital. Since then, six more McDonald's units have opened in hospitals.

Burger King also has several franchises in hospitals, including one in Jewish Hospital in Louisville, Ky.

And Hardee's has two units in hospitals, the first of which opened in October 1982 in Timken Mercy Medical Center in Canton, Ohio.

**—Rajan Chaudhry**




*At Sentara Norfolk General Hospital in Norfolk, Va., the restaurant—the Brass Rail—became so successful that the hospital had problems maintaining non-profit status, said hospital spokesman Don Depp. Administrators restructured the restaurant so that the Brass Rail, instead of sharing revenues with the hospital, now pays rent.*

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**Sweets' success in America**
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Nation's
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*The Weekly Newspaper of the Food-Service Industry*

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# Sysco to buy No. 3 CFS

## *Blockbuster deal could reshape distribution*

**By Rick Van Warner**

HOUSTON — Racing away from the food-service distribution pack as it thunders toward nationwide penetration, Sysco Corp. has agreed to buy No. 3 CFS Continental from Tate & Lyle's Staley Continental for $700 million.

Spawning a super-distributor approaching the $7 billion mark in annual sales, the blockbuster deal comes on the heels of the $1.5 billion sale of CFS parent Staley to Tate & Lyle PLC. A British sugar producer, Tate & Lyle purchased Staley to obtain its corn syrup business and had said from the outset it would sell the food-service division.

Adding CFS to its fold propels Sysco into several new markets—including Los Angeles, the Pacific Northwest, and the Baltimore-Washington area—and beefs up its presence in many existing markets.

"Geographic coverage is the most important part of distribution, and they're [CFS] located in many parts of the U.S. where we have only partial penetration," said Sysco executive vice president James Lowrey.

Combined with CFS, Sysco will only lack presence in the New York-Philadelphia corridor and in the Carolinas, analysts said.

"It's a really nice fit in most areas," said James Murren of C.J. Lawrence, New York,

*(See **SYSCO**, page 74)*

## FOOD WATCH

### *A half-size meal at half the price? Well, almost half*

CHICAGO — With an eye toward promoting price/value and reasonable portions, Gordon Sinclair, owner of the Gordon restaurant at 500 N. Clark St. here, is offering half portions of all dinner entrées for half the price, plus $1.

The net effect of Sinclair's promotion is that two people can share two separate entrées or four people can share four entrées.

On a recent evening, half-size combination portions were available for the following prices, plus $1: grilled salmon with Chinese mustard glaze, $9; barbecued whole squab with sweet corn cakes and peppers, $10.50; sautéed breast of duckling and confit of duck with orange and fennel, $9.50.

Other "Plus $1" dishes and their prices, not including the additional $1, were seared tuna with potato cream and roasted tomatoes, $9.50; grilled, aged sirloin with spicy ratatouille, potatoes, and rosemary, $11; charred rack of baby lamb with honey dates and cumin, $11.50; and roasted sweetbreads with peas, morels, and Chardonnay, $10.

—Charles Bernstein

# Ballpark food service hits the big leagues

**By Bill Carlino**

NEW YORK — Since the infancy of baseball stadium food service, cries of "get your red hots," "peanuts," and "beer here" have become as much a part of the game's mystique as Babe Ruth's called home run or Don Larsen's perfect game in the 1956 World Series.

Legend has it, one summer afternoon 86 years ago, Harry M. Stevens, the patriarch of arena and stadium food service, carved a unique niche in Americana when he stuffed a sausage in a long roll and sent his vendors scouring the bleachers at the Polo Grounds in search of hungry baseball fans.

On that sweltering day, the hot dog and baseball formed one of the most enduring of all relationships in sports. A frankfurter draped in mustard or relish seemed the natural complement to the national pastime.

From those humble beginnings under the rickety stands at the Polo Grounds, food service for major league baseball has blossomed into a business approaching $300 million annually. Seven major food-service contractors provide the fare at all but two of the 26 ballparks. Average food sales per game hovers at $300,000, while each fan spends between $5 and $6 a game.

However, just as baseball's new balk rule has reshaped

*(See **BALLPARK**, page 7)*

**Vendors bearing hot dogs, peanuts, and beer are as common and as valued a sight at the ballpark as the game itself.**

# Ponderosa hones marketing focus

## *Metromedia to upgrade food, hasten expansion*

DAYTON, Ohio — Ponderosa, its future clouded for the last two years largely because of a succession of owners, is now focusing under billionaire John Kluge's Metromedia Co. on upgraded products, more specific television advertising, and major domestic expansion.

**Diamond**

On the food front, Ponderosa, wagering that consumers will pay for "quality," is challenging its historical reliance on ungraded tenderized meat by replacing it with more expensive U.S.D.A. Choice beef. The chain is backing the test with television, print, and in-store advertising.

"People buy choice beef at the supermarket to fix at home. Why should they buy less when they eat out?" said Darrough B. Diamond, the restaurant chain veteran who was recently appointed senior vice president of marketing for the 690-unit family steak-house chain based here.

The upgraded beef program is currently being tested in Youngstown and Columbus, Ohio, with increased entrée prices of about 30 cents. Diamond said the response has been favorable. "Consumers in effect are saying they'll pay for quality," he said.

In another test in several cities, Ponderosa has introduced a new food bar called the Grand Buffet, which includes an array of rotating appetizers, such as meat balls, chicken wings, clam strips, and popcorn shrimp as well as hot pastas and sauces, soups, chili, and fresh fruits.

The chain said this "major meal enhancer" is doing well in the test cities, which include Columbus; Milwaukee; Green Bay, Wis.;

*(See **PONDEROSA**, page 74)*

### NRN readers vote for Golden Chain award winners

Nation's Restaurant News readers are being asked to select six of the food-service industry's top executives as Golden Chain award winners.

A postage-paid mail-in ballot with 12 candidates appears in this issue.

Please mark your ballots for up to six of the candidates and mail them this week.

The six Golden Chain Operators of the Year will receive their awards at a gala banquet during Nation's Restaurant News' annual Multi-Unit Food Service Operators (MUFSO) conference.

For details on the conference, to be held Oct. 2-5 at the Washington, D.C., Hilton, call MUFSO coordinator Chris Hernandez at (212) 371-9400, Ext. 282 or 283.

**Mail-in ballot follows page 28**

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Vol. 22, No. 25 June 20, 1988


# NEWS DIGEST

## Church's names Renaud as new prexy, CEO

SAN ANTONIO, Tex. — Church's Fried Chicken has named Ernest E. Renaud, formerly president of Golden Corral parent Investors Management Corp., to succeed J. David Bamberger as president and chief executive officer.

Bamberger said he would continue as chairman of the board but that Renaud would be responsible for day-to-day operations.

Investors Management, a privately held company in Raleigh, N.C., owns 525 Golden Corral Family Steakhouses.

## Kettle board rejects Rocyn's takeover bid

HOUSTON — Kettle Restaurants Inc., the 209-unit coffee shop operator, said its board has rejected an amended takeover offer from Rocyn Corp., a Florida investment group.

Rocyn originally offered $8 a share in cash for the company but had changed its offer to $2 a share in cash and $6 a share in the face amount of five-year promissory notes of Rocyn Corp. The new bid was also subject to several conditions, including the restructuring of debt.

Kettle's board said that the new offer was worth significantly less than the original bid and that the board didn't expect to complete any deal with Rocyn. It also recommended that Kettle shareholders immediately withdraw all shares tendered in connection with the initial bid.

## 3 Guardian Angels stabbed patrolling NY restaurants

NEW YORK — Three members of the Guardian Angels were stabbed, one critically, while patrolling restaurants under an agreement with operators on Restaurant Row, the theater district's strip of eating places.

Restaurant owners called in the Angels, a controversial group of teen-age volunteers who patrol streets and subways unarmed to curtail neighborhood drug dealing that has been blamed for a decline in business.

Fifteen proprietors put up $300 apiece to cover the initial cost of the patrols. In addition, restaurateurs are providing meals for some 30 Angels and are allowing them use of a closed restaurant as barracks and headquarters.

## Pillsbury amends bylaws to curb takeover tries

MINNEAPOLIS — Pillsbury Co., in a move that would make a hostile takeover more difficult to complete, has amended its bylaws to dilute the influence of any investor amassing more than a 20-percent stake in the food conglomerate.

However, the move would not prevent a friendly takeover endorsed by the restaurant operator's board of directors.

The amendment would permit stockholders to buy additional shares at a discount if any investor purchased 20 percent of outstanding shares or tendered an offer that would result in the bidder's ownership of more than 30 percent of Pillsbury's stock.

Wall Street has been rife with unconfirmed reports that several large companies are contemplating an attempt to take over Pillsbury. The concern, which operates Burger King, Bennigan's, and Steak and Ale, is pruning its extensive restaurant holdings in an attempt to reverse declining sales and profits.

## Godfather's adds 'Thin' pie after Pizza Hut rolls new one

OMAHA, Neb. — In the wake of Pizza Hut's introduction of Hand-Tossed Traditional Pizza, Godfather's, a 580-unit competitor here, is rolling out its own version of a thinner pie.

The new product, called "Thin" pizza, is thinner and lighter than Godfather's original pie, the chain said. Thin pizza is currently available in 60 percent of the system.

Pizza Hut, the pizza segment leader, has trumpeted the introduction of its new Hand-Tossed pie, which is thinner than its pan pizzas but thicker than the system's traditional pies.

## Wendy's licenses unit in Italy to US Navy

DUBLIN, Ohio — The U.S. Navy has secured a license to open and operate a Wendy's unit on its base in Naples, Italy.

The deal marks the first time Wendy's has granted a franchise to any branches of the military. Although Wendy's units are located in Camp Lejeune, N.C., and Iwakuni, Japan, those stores were licensed to local operators.

## Maisonette's Comisars buy floating restaurant complex

CINCINNATI — The Comisar family, operator of the famed Maisonette restaurant here, has bought The Islands floating entertainment complex from Richard Schilling, who is retiring.

The Islands, which includes a variety of indoor and outdoor dining areas and a nightclub, is docked on the Ohio River.

Maisonette was among the first restaurants to be inducted into Nation's Restaurants News' Fine Dining Hall of Fame. The restaurant was awarded that honor in 1980.

## Servico negotiates takeover by unidentified suitor

WEST PALM BEACH, Fla. — Servico Inc., the hotel and nightclub operator here, said it is negotiating with an unidentified party interested in acquiring the company for an amount exceeding its current stock price.

The suitor is seeking to pay cash, Servico indicated in a printed statement released to the press.

Servico operates the Royce lodging chain, franchised Holiday Inns, and high-volume nightclubs within the hotels.

## Houston restaurant fined in warning to illegal hirers

HOUSTON — In what immigration officials said was a warning to other area restaurateurs, government agents have levied a $10,000 fine on Marco's Mexican Restaurant here for allegedly hiring illegal aliens.

The restaurant is believed to be the first in this area to be fined under the landmark 1986 Immigration Reform Act, which requires employers to verify the citizenship of all job applicants to prevent the hiring of illegal aliens.

Marco's owner, Ghulam Bombaywala, accused immigration officials of harassing him by singling out his restaurant.

## Ryan's reverses stand against advertising

GREENVILLE, S.C. — Ryan's, the high-volume regional steak-house chain here, is tempering its long-standing aversion to advertising as part of a recently disclosed plan to emphasize sales growth instead of unit expansion, analysts said.

The chain plans to experiment with newspaper and radio advertising to bolster the traffic of units developed in areas where the Ryan's name is not readily recognized.

Throughout its history, Ryan's has eschewed advertising to shunt more money into its signature all-you-can-eat buffet.

The 108-unit chain recently aired plans to cut back on expansion to focus more intently on shoring up the sales of existing units.

## Circle K grants license for NY convenience stores

PHOENIX, Ariz. — Circle K, the convenience-store operator, has signed a licensing agreement that calls for the 4,077-unit chain's expansion into New York City.

In its first domestic franchising agreement, the chain has agreed to let The Riese Brothers Organization develop five Circle K units in New York. The first store is scheduled to open in Manhattan by October 1.

# Tides are changing for seafood restaurants

## *Red Lobster expands into Northwest, challenges Sea Galley Stores' market*

**By Karen Bruno**

SEATTLE, Wash. — Red Lobster USA, the seafood giant, is taking on 48-unit Sea Galley Stores in an aggressive expansion drive into the Northwest.

Red Lobster's first unit will open here this summer with "multiple" units planned, said Dick Monroe, a spokesperson for the 400-unit, Orlando, Fla.-based Red Lobster. "We will be a force in the Northwest. We're looking at sites in all the major markets up there," he said.

Officials at the Mountlake Terrace, Wash.-based Sea Galley are undaunted by the onslaught. The chain, which has rebounded from several quarters of losses, operates 23 units in its home market here.

"We've been here 13 years and are familiar with this market—it's our core market," said Lawrence Crowe, vice president, treasurer, and chief financial officer of Sea Galley. "Red Lobster will be a major factor, however," he said.

*'We will be a force in the Northwest. We're looking at sites in all the major markets up there,' said Monroe, a spokesman for Red Lobster.*

Local operators are lining up to watch the fight, with several saying that Red Lobster may find the Northwest a challenge.

"There has always been a lot of seafood up here. People up here catch it, buy it, see it, and understand it," said Keith Dean, vice president of Pacific Coast Restaurants Merchants, Ltd., which operates five seafood restaurants in Portland, Ore., with a sixth opening in Seattle this month.

"Red Lobster will find that the Northwest customer is a lot more sophisticated about seafood than customers in other parts of the country," said another operator who did not wish to be identified. "There is a strong regional bias up here, and Red Lobster will be perceived as an outsider."

Red Lobster and Sea Galley both feature a moderate-priced menu of predominantly deep-fried and baked seafood, burgers and pasta. Per-person average checks are about $4.50 for lunch and $11 for dinner, including liquor.

As with other operators in the beleaguered dinner house segment, both chains are strongly oriented toward the value-conscious customer. Red Lobster has a variety of seasonal promotions, and Sea Galley promotes its all-you-can-eat salad bar, which is included in the price of a dinner entrée.

In addition, both chains are seeking to boost lunch traffic. Red Lobster started an express lunch program last year which has boosted traffic, and Sea Galley is going after the same customer with a $2.99 midday menu.

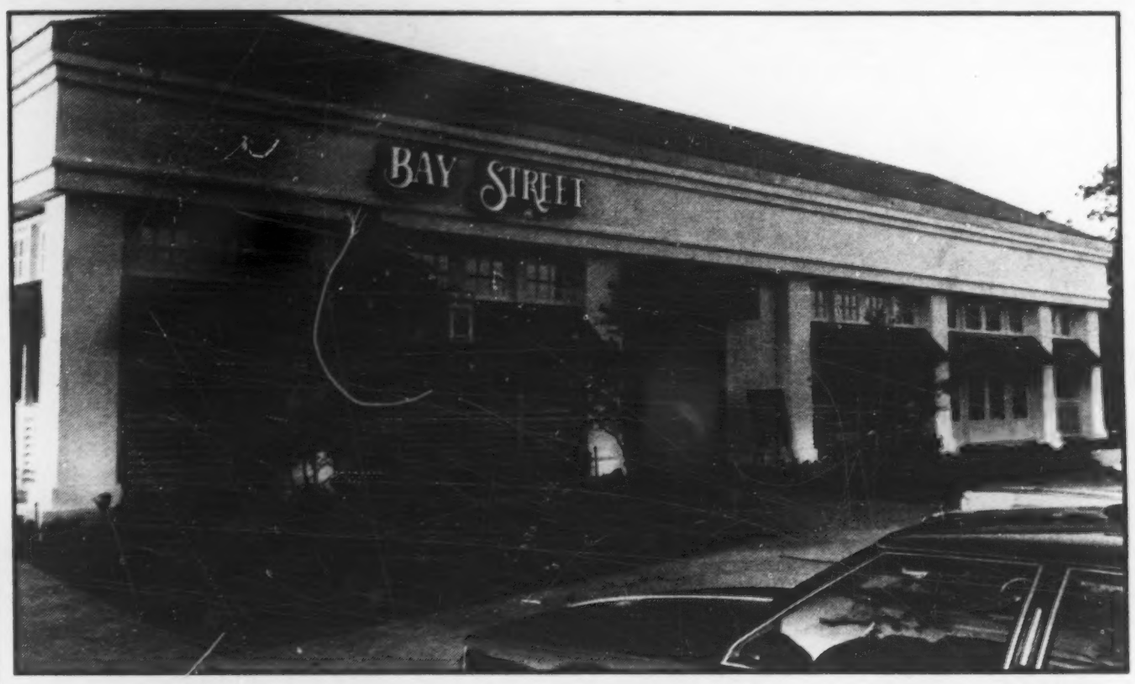
After revising its menu in 1985 to appeal to a more upscale customer, a move that led to a drop in traffic and losses of $3.5 million in 1986, Sea Galley seems to have regained its core customer base.

The operator posted earnings of $522,000 in 1987 and, in the first quarter of 1988, same-store food sales are up 2.4 percent, according to Crowe, although a decline in liquor consumption resulted in a net increase of one percent. Meanwhile, Red Lobster, the nation's largest seafood chain, is expected to pass $1 billion in sales this year.

The chain acquired the 28-unit, Lakewood, Calif.-based Seafood Broiler Restaurants last year, a move that has strategic importance.

"The Far West expansion opens up a network feed for us," said Monroe. Red Lobster now has 38 units in California. Commercials for Red Lobster are already running on cable television in the Northwest.

Although Red Lobster does not plan any menu changes upon entering the Northwest, it is tinkering with its core menu in Southern California by "keeping the best of the Seafood Broiler menu while adding some of our own menu," said Monroe. The chain is adding lobster tanks to these units as well.




**A Bay Street unit in Texas.**

## *S&A shuts its Atlanta Bay Street units, attempts to spin off two other locations*

**By Jack Hayes**

ATLANTA — S&A Restaurant Corp. has closed its two Bay Street seafood dinner houses here and is attempting to sell its Bay Street units in Hollywood, Fla., and northern Dallas.

S&A senior vice president Alan Palmieri, who will become president of the Bay Street chain on July 1, when a leveraged buyout is scheduled to be completed, said the deal calls for the sale of 12 of the original 16 restaurants.

*'Atlanta is the Bay Street kind of town. Unfortunately, we didn't have the locations,' admitted S & A's Palmieri, who said he'd like to re-enter the market in 2 or 3 years.*

Included in the Bay Street buy out are five Texas units—in Addison, Bedford, North and South Arlington, and Plano; three Chicago restaurants; two other south Florida units; and one each in Metuchen, N.J., and Philadelphia.

"Atlanta is a Bay Street kind of town. Unfortunately, we didn't have the locations," admitted Palmieri, who said he'd like to re-enter this market in two or three years near Cumberland or Lenox Mall.

Both Atlanta units were in the city's upscale northside near Dunwoody, but neither one had adequate visibility or traffic.

Market observers said the Bay Street units averaged $20,000 a week in sales—less than half their potential.

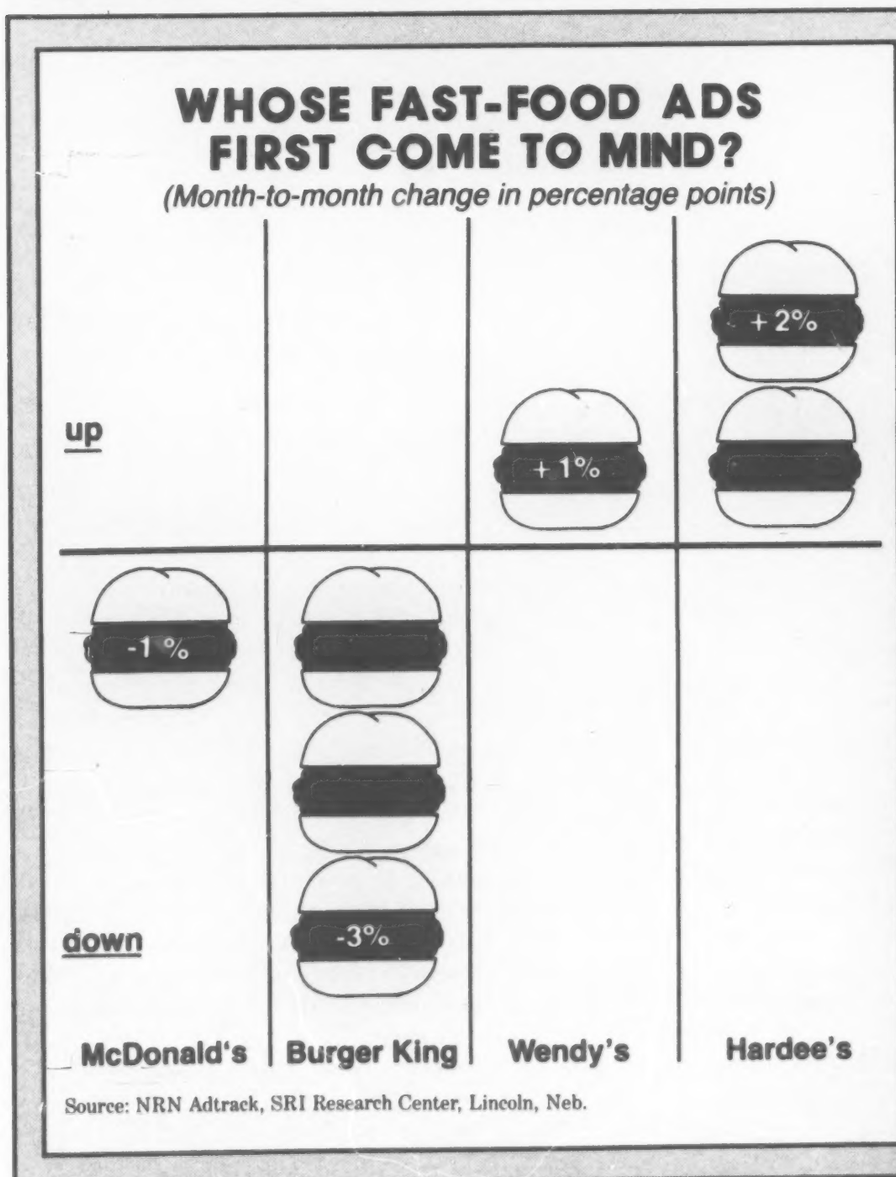
"The first thing we'll do is begin growing Bay Street in the Northeast," added Palmieri. He said several sites are under consideration in New Jersey and on Long Island, N.Y.

Palmieri has appointed a new chief financial officer, Mike Chockey, and named Chuck Sparks and Bill Shannon as Bay Street regional managers with six restaurants each.

Jeff Willison will direct Bay Street's purchasing, and Diane Wessel will head human resources. "It's a small, lean team, but we're alive and well," said Palmieri.

Most of Bay Street's Atlanta market staff have been hired by other S&A properties here.

"It's a somber feeling on my part having to leave a good market like Atlanta, but I will be back," promised Palmieri.




Source: NRN Adtrack, SRI Research Center, Lincoln, Neb.

## *McD and BK suffer declines in ad awareness, poll shows*

**By Bill Carlino**

LINCOLN, Neb. — After registering significant April increases in consumer advertising awareness, fast-food giants McDonald's and Burger King suffered declines in ad recall of five and three percentage points, respectively, in the Nation's Restaurant News Adtrack poll for May.

NRN Adtrack

The exclusive survey measures the effectiveness of fast-food advertising by determining which ads are most readily recalled by polled consumers.

McDonald's, whose advertising was recalled by 46 percent of the respondents surveyed during April, garnered 41 percent in May.

Burger King, whose "Backyard Frying Pan" television spots hiked the chain's consumer ad awareness by four percentage points in April, lost three points in May, with a rating of 13 percent.

"Our national television and print promotions were basically in hiatus after the first week in May," said a Burger King account supervisor for N.W. Ayer of New York. "Remainder of the month was devoted to regional programming which concentrated more on area promotions."

McDonald's account representatives at Chicago's Leo Burnett Agency declined comment on the reason for the company's May percentage drop.

N.W. Ayer said it plans to include Alf, the sarcastic alien from the popular NBC sitcom as part of a national in-store promotion later this month, while a proposed breakfast campaign may hit the airwaves in July.

In the NRN poll, SRI Research Center Inc. here asked a representative sample of 1,000 consumers across the country, "Of all the fast-food advertising you have read, seen, or heard in the last month, which advertising comes to mind?"

After two consecutive months of declining advertising awareness, Wendy's showcased its first increase since March with a gain of one percent. Hardee's, which slipped two percentage points in April, rebounded with a two percent increase for a total of five percent of those surveyed.

# FOCUS | VIEWPOINT

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# Financing capital needs: beware of debt

Food-service operators are more vulnerable than ever to market conditions in trying to raise capital.

Last October's stock market crash and subsequent uncertainties have made public offerings highly dubious as a means of financing expansion. This has left the alternatives of bank loans or other methods—all of which increase company debt and interest payments.

One example is Jacksonville, Fla.-based Family Steak Houses of Florida, a franchisee operator of 17 Ryan's steak houses. Anxious to keep growing, founder-president Eddie Ervin was set last fall for a $14 million stock offering when the crash hit. He turned to his local bank and obtained a $14 million credit line to finance some five new units.

Ervin's interest payments total over $1 million a year, but he sees it as a small price to pay. He has a respectable balance sheet and figures he can eliminate the debt with a public offering when the stock market finally straightens out.

This type of thinking, far from atypical in fueling expansion growth, can mortgage off a company's future. Ervin and others might be wise to curtail their expansion and concentrate on enhancing existing units, which in his case are doing at least $1.5 million in average annual sales.

We have already seen the consequences of leveraged buyouts, which pile up huge debts that are hard to erase. Denny's accumulated over $500 million in debt when it went private a few years ago, and its capacity to innovate and grow was severely crippled.

ARA Services had to implement a second-stage bonds offering after its LBO five years ago, and there still is debate about whether ARA's going private was a wise move.

Another type of debt-ridden purchase occurred recently when Restaurant Associates chairman Martin Brody, in a deal unrelated to RA's January management LBO, led a small group in a purchase of Pillsbury's Bay Street seafood restaurants.

Rocky Rococo, a 120-unit Wisconsin-based regional chain which once had national aspirations, eschewed potential expansion financing from regional bankers a few years ago. Instead, it moved too fast and obtained extensive capital from the Pasadesna (Calif.) Storage Company.

Rococo failed to bring in strong enough management to run a wider-ranging operation and faltered in its goals. The net result was that while remaining an effective regional chain, it in effect lost the bulk of its business to the Pasadena Storage Company, which is not really a food-service company.

The pitfalls of accumulating debt and yielding equity are immense. But publicly owned food-service chains face an extra-tough road in financing their capital needs. Restaurant stocks have generally lost value since last October and are not one of the favored categories on Wall Street. It has become difficult, if not impossible, to implement effective stock offerings under these conditions.

If a public company has an excellent balance sheet and a healthy profit, it can finance expansion needs through cash flow. Yet many companies still turn to junk bonds, an innovative approach but one requiring a premium and wrought with risk.

Private companies are going to investor and venture capital groups or corporations to help finance expansion. But these companies are yielding too much equity in return for the financing.

Another method being utilized is to let real estate partners in each restaurant spend the money for land, building, and equipment. This has certain tax advantages but gives up equity in each restaurant.

A final alternative is simply to be acquired. Chains which opt for this "solution" usually discover that their own entrepreneurship and management are submerged or eliminated.

No matter how anyone figures it, assuming more debt dilutes finances and efforts. This is a perfect time for food-service operators to walk away from these financing "opportunities" and concentrate on getting their restaurants into stronger shape, to improve their balance sheet rather than clutter it with more loans and debts.

The smartest strategy for most operators today is to concentrate on managing for profits by obtaining more labor efficiencies, sharper marketing, and a tighter focus on basics like training and sanitation. This means being willing to curb growth and "wait until next year" when stock equity markets may loosen up.

## *LETTERS*

### Wendy's takes issue with NRN coverage

Editor, NRN:

In recent issues of Nation's Restaurant News (May 2, May 16, and May 23), the Letters section has contained viewpoints from industry leaders who have disagreed with NRN's penchant for exaggerated headlines and story angles. Add our name to the growing list of readers who feel sensational headlines are better suited for supermarket tabloids than the leading food-service industry journal.

Because Wendy's International is one of the largest restaurant chains in the world, we expect to see our name appear in various stories in NRN. And we expect to receive our share of good and bad coverage. However, we do not appreciate editorial attempts to misstate or overdramatize headlines.

The April 25th issue of NRN carries a story titled, "The Death of the Salad Bar," and details the growth of prepackaged salads in the fast-food industry. Granted, the recent popularity of prepackaged salads has helped sales at those chains offering it. But its relative newness as a menu item hardly justifies the burial of the traditional salad bar.

In the May 9 issue, NRN ran this front page headline: "Wendy's Shareholders Assail Hamburger 'A' Ad Campaign." The corresponding story reports that the advertising campaign "came under attack from rank and file shareholders at the company's annual meeting . . ."

Presently, Wendy's International has 140,000 shareholders worldwide. Between 75-100 shareholders were present at the annual meeting. NRN's story said about one-half of the attendees raised their hand when asked if they did not like the Hamburger 'A' ads.

That number represents 0.03 percent of all Wendy's shareholders.

Readers of Nation's Restaurant News have a right to assume that when an NRN reporter covers a company's annual meeting, that reporter is accurately covering the major issues that occurred during the meeting. After the May 9 headline and lead paragraph about the Wendy's annual meeting, readers could assume that Wendy's ads were the major issue discussed. That assumption could not be farther from the truth.

The meeting focused on a discussion of the steps Wendy's has taken to reverse negative sales trends in 1987 and produce positive net sales gains in the past two quarters. The major news was Wendy's $10 million turnaround in the first quarter, ending April 3, versus the first quarter of 1987. Specifically, Wendy's posted a $3.5 million profit vs. a $6.8 million loss last year.

We do not feel the industry is served well by a trade publication that sensationalizes the news. We strongly implore Nation's Restaurant News to return to the solid responsible journalism, from storyline to headline.

**Denny Lynch**
*vice president, communications*
Wendy's International
Dublin, Ohio

### Employee theft plagues food-service industry

*Editor's Note: The following letter refers to Charles Bernstein's April 11th Editor's Corner column in which he castigated a Chicago Midway Airport restaurant for firing a young employee who had given Mayor Eugene Sawyer a free sandwich after Sawyer had offered to pay for it. The column ran under the headline: "Insensitivity: labor crisis in Chicago."*

Editor, NRN:

A major problem plaguing the food-service industry has always been employee theft.

This theft takes many forms: food and beverages out the back door; free drinks to friends; sandwiches given away to politicians. None of the above should be tolerated.

It is particularly distressing when the editor of our industry's major journal expresses a view that is soft on employee theft.

**—William J. Gudenau**
*president*
Select Hotel Management
Ann Arbor, Mich.

*Nation's Restaurant News welcomes concise letters on timely topics. Send letters to The Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y., 10022. Letters may be condensed for reasons of space or clarity.*

# NY's Telephone Bar & Grill 'calls' in patrons

By Ken Frydman

NEW YORK — As restaurant concept gimmicks go, this one isn't bad.

Three bright red British "call boxes" and a London cab with liveried chauffeur front the Telephone Bar & Grill at 10th Street and Second Avenue.

The call boxes and cab serve as more than mere props; the phones were rewired to Ma Bell standards and hooked into the 212 area code while the stylish sedan is used as the bar-restaurant's house car.

The imported call boxes and sedan add a novel and refined air to an otherwise casual-theme restaurant.

Preferred customers are picked up and delivered via sedan to Telephone, where they can place phone calls in sophisticated silence. At the end of the evening, they're shuttled home in comfort.

Co-owners Abe Lebewohl and Rudy Mosny bought the call boxes at auction in Plymouth, England, where they had been in service for 50 years.

Then they shipped the call boxes back to the States and stationed the sentinels at the entrance to their new restaurant—like the Beefeaters, who guard Buckingham Palace.

NRN Photo

**Vincent Sardi, former owner of Sardi's restaurant in New York, and his wife make a 'call' in a phone box at Telephone.**

The site had previously housed Pier Nine, a Thai-inspired seafood restaurant that has since relocated up the avenue.

Mother country influence carries through inside the spacious pre-1900 brownstone, which boasts an antique tin ceiling, plank flooring, and mix-and-match tavern furniture.

Three life-sized trompe l'oeil murals depict early European telephone sets hidden in trees or flying toward the sun.

The 40-foot mahogany and marble bar, reminiscent of pre-Prohibition watering holes, features English drafts, American beers, and Woodpecker cider, an apple-based alcoholic drink now popular in England.

Half-pints of beer run $2; full pints, $4.

A planned book-lined library room annex will complete the campus pub look described by Lebewohl as "a cross between P.J. Clarke's amd Elaine's, an American Bar & Grill with British overtones."

Quite predictably, chef Joel Fuenmayer—formerly of the SoHo Charcuterie—prepares Stilton Cheese Fritters; Windsor and Scotch Eggs; Fish & Chips wrapped in The New York Times; Alexander Graham Bell's "Telephone Meatloaf"; Bangers and Mashed; and Cheshire, Chicken, and Shepherd's pies.

Appetizers range from $3.50 to $5; entrées, from $7 to $17.75 for the New York sirloin steak.

Highlighting the dessert list is rice pudding "21," made from the "21" Club's original recipe. The dish was discontinued when "21" was revamped last year.

Telephone serves lunch, dinner, and supper every day from 11:30 a.m. until 2 a.m., later on weekends. Weekend brunch features other traditional English favorites, such as Irish salmon, kippers, blood sausage, and Irish bacon. American standards, such as hashes, omelets, and filled pancakes are also available.

Competition could prove a sticky wicket for Telephone. For 34 years Lebewohl has owned the Second Avenue Deli, directly across Second Avenue from Telephone. But Lebewohl is not afraid.

"We don't anticipate competing for the same customers," he said. "The Second Avenue Deli serves Jewish food, and Telephone serves British food. They're completely different."

# Sysco agrees to buy CFS

*(Continued from page 1)*

noting that the two companies significantly overlap in only about six markets. "It really makes Sysco national and more cost efficient. They will have a dominant presence in most markets."

The merger also more than doubles Sysco's size in fast-food distribution, an area where CFS is particularly strong.

"It strengthens us in fast food," Lowrey said. "We're gambling $700 million that it will help us."

In recent years, Sysco has dedicated itself to supplying high-volume quick-serve chain accounts through its fast-growing SYGMA division but has been only marginally successful, said analyst Murren.

Nonetheless, multi-unit business accounted for about 25 percent of Sysco's $3.7 billion in fiscal 1987 revenues, Lowrey said.

In increasing its share of the $100 billion food-service distribution market to 7 percent from about 4 percent, Sysco outbid several other companies with distribution interests, according to widespread industry reports that named No. 2 Kraft and No. 4 PYA/Monarch parent Sara Lee Corp. Morgan Stanley, the investment banker for Tate & Lyle, refused to disclose the identity of other suitors.

Sysco plans to sell CFS Continental's manufacturing segments, which produce products such as coffee and detergents, Lowrey said, but has not made any decisions on HAVI, the CFS division that provides McDonald's with shortening and hamburger buns.

"I think there's better than a 50-percent chance they'll sell it [HAVI]," said analyst Clinton Mayer III of Bear Stearns, New York. "They've indicated in the past that they didn't want to get into bed with McDonald's."

Together, HAVI and the manufacturing division could fetch between $250 million and $350 million, Lowrey said.

By unloading both businesses, the company could defray some of the heavy debt load it will assume through the $700 million cash acquisition. Sysco plans initially to finance the deal through a revolving credit agreement but may subsequently issue long-term debt or sell some equity.

The Sysco/CFS combination is the latest deal in the wave of consolidation that has swept the distribution industry. Between 1982 and 1987, the top five distributors alone acquired 89 distribution companies, according to Technomic Inc. During that period, two-thirds of those companies' growth came through acquisition.

"It's cheaper to acquire market share than to build it," Murren said. "It's easier to merge in this industry because you're buying accounts, sales forces and capacity."

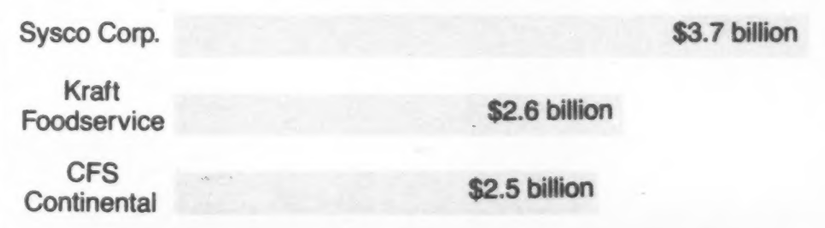
How much effect the pairing of Sysco and CFS will have on the distribution industry as a whole remains to be seen. Despite the publicity and attention that surrounds the full-line super-distributors, food-service distribution remains a highly fragmented industry dominated by smaller companies. Collectively, the top five players, (including CFS), control only about 12 percent of the market.

"It's still a local business; I don't think changes will be that dramatic," said Technomic president Ron Paul. "But I think it's going to force the other super-distributors to rethink their strategies. It certainly raises the stakes of the distribution business for Kraft, which is now a distant No. 2."

Kraft, which would not comment on whether it was involved in the bidding for CFS, did not indicate any immediate response to the merger.

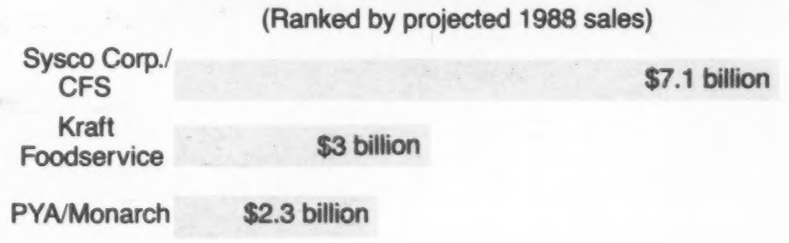
**TOP THREE FOOD-SERVICE DISTRIBUTORS PRIOR TO PROPOSED SYSCO/CFS MERGER**

(Ranked by 1987 sales)




**TOP THREE FOOD-SERVICE DISTRIBUTORS IF SYSCO/CFS DEAL IS COMPLETED**

(Ranked by projected 1988 sales)




Source: NRN Research

# Ponderosa tests products

*(Continued from page 1)*

Cedar Rapids, Iowa; and Louisville, Ky.

It indicated that the new and upgraded food programs are designed to remove barriers to repeat visits and to bring in new customers as well. The chain is considering an expansion of the tests.

"We're interested in that quality improvement," said Diamond, who added that the restaurant industry over the past 10 years has been following a "quality trend."

Ponderosa still, however, intends to target families. Diamond said families' interest in "value" issues "cuts across a lot of demographic strata."

The chain recently adjusted its advertising theme line from "You get a family feeling at Ponderosa" to "We know the value of a good family meal." And new commercials from Lowe Marschalk Inc. also proclaim: "There's a whole new Ponderosa at Ponderosa."

Among the new spots is one for a $5.99 all-you-can-eat dinner Monday through Thursday. The deal included a free kids' meal for those under 10.

A new television-supported promotion features $4.99 charbroiled chicken dinners, with a choice of Western barbecue, chicken Creole, chicken Parmesan, and Hawaiian chicken.

Diamond said that most of the more than $20 million it spends on advertising in a year will go toward television. He said the chain is "tabling" the use of radio until it decides whether it "makes good sense for our future plans." He added, "There's no substitute for TV in most cases." The chain has typically spent more than $1 million a year on radio.

Metromedia Co. acquired Ponderosa earlier this year from New York investor Asher B. Edelman, who in turn had purchased the chain only a year before. Frank Holdraker, an alumni of Pizza Hut, retained his job as president and ceo.

Diamond, who had been working as a consultant for Ponderosa, said Metromedia's Kluge "brings financial strength and substance" to a chain that has recently had many ups and downs. He said the "total package" was something "I didn't want to miss." He joined the corporate ranks as chief marketing executive in mid-April.

"He [Kluge] doesn't intend for Ponderosa to be a failure," said Diamond, who noted that Kluge has brought "a lot" of equity to the chain. The purchase price has never been disclosed. Edelman had bought Ponderosa for $278 million.

Diamond said, "dramatic growth is in the cards" for Ponderosa and that the expansion would be domestic. A large concentration of Ponderosas are in the nation's heartland.

Although he'd been on his own as a consultant for more than six years, Diamond's background includes stints with several food-service chains, including Wendy's International, where he was senior vice president of marketing in 1980 and 1981, and Arby's, where from 1977 to 1980 he was president and ceo of its franchise association.

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*New era dawns for distribution*
Focus section follows page 28

*Motown restaurants call their own tunes*
Focus pages F22-F24

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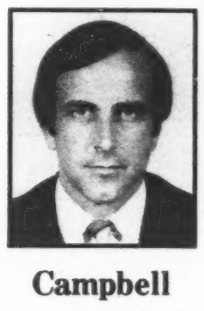
# Pillsbury shuffles restaurant group

## *Campbell, Craig exits spark dismantling*

**By Peter J. Romeo**

MINNEAPOLIS — Pillsbury Co. has realigned top-level management of its beleaguered food-service empire following the resignations of restaurant group chairman J. Jeffrey Campbell and key lieutenant Kyle Craig.

Dismantling the centralized administration built by Campbell during his 13-month reign, Pillsbury has divided his and Craig's duties among three men stationed in three different offices.



Campbell

Craig

"The restaurant group does not exist anymore as a corporate entity," a Pillsbury spokesman said.

Jerry Levin, 44, Pillsbury's executive vice president of corporate development and a reputed deal maker, has been tapped to succeed Craig as chairman of S&A Restaurant Corp., the restaurant group's Dallas-based dinner-house business. He has no prior experience in the restaurant field, the Pillsbury spokesman said.

Unlike Craig, Levin reports directly to corporate chairman William Spoor. Craig's imme-

*(See **PILLSBURY**, page 4)*

NRN Photo

**Tony Mantuano, left, Levy Restaurants' executive chef, and Eurasia chef Stewart Parsons, right, cook at Eurasia.**

# *East, West cuisines meet in Chicago*

**By Carolyn Walkup**

CHICAGO — Cuisines of the Orient and the West are intertwining in two new restaurants here to produce an exciting fusion of flavors.

The Levy Restaurants is touting its new Eurasia as "a new culinary continent." Jacques Barbier and chef Daniel Kelch opened Le Mikado quietly a few weeks earlier. Kelch, ironically, had consulted with the Levy group about Eurasia before joining forces with Barbier.

The Western representation of Eurasia is more American than European, while France is more clearly the occidental influence of Le Mikado. The Eastern tastes at both draw from a variety of countries, including China, Japan, Thailand, Vietnam, Korea, and, to a lesser extent, Malaysia, the Philippines, and India.

Eurasia and Le Mikado are among the newest restau-

*(See **EAST MEETS WEST**, page 84)*

# NRN survey: Tips beat service charges 5-to-1

**By Joe Edwards**

By a 5-to-1 margin, Nation's Restaurant News readers said in an NRN Hot Line survey that they favor tipping over mandatory service charges.

And the outspoken, protipping forces suggested that to think otherwise is downright un-American.

"I believe American customers should have the choice of how much they decide to leave, based on service that they received," declared John Newcomb, a Chicago restaurant manager.

**Bush or Dukakis? Cast your vote Call NRN's Hot Line**
**Page 84**

Another reader, who said he has 40 years in food service, said he would be "bitterly against" mandatory service charges.

"There has not been so much initiative left in people of this nation today, and I think you would help destroy what

*(See **TIPS**, page 84)*

## FOOD WATCH

NEW YORK — Mix an East River view, a fireworks show, and a $40-per-person dinner featuring a "Star Spangled Sundae" and an "All-American Chocolate Cake," and you've got an Independence Day dinner at the Star Fish Grill in the South Street Seaport here.

Revelers dined on two-tomato salad (plum and sun-dried), oysters on the half-shell, cold stuffed lobster, and grilled veal chops while they gaped at fireworks exploding over the harbor. Meanwhile, the 130-seat Boardwalk Cafe served lobster roll sandwiches, New England clam chowder, fried calamari platters, and New York cheesecake.

Both places are part of Caroline's, the complex owned by Caroline Hirsch that includes a comedy club. —**Ken Frydman**

# Democrats back away from plan for $5.05 hourly wage

**By Ken Rankin**

WASHINGTON — Congressional Democrats have scaled back their demands for a stiff 50-percent hike in the minimum wage and are now pressing for a more modest increase to $4.55 per hour by 1991.

But opponents of a rising national pay floor are seeking further concessions in exchange for enactment of a minimum-wage law this year.

Under the new plan, the present $3.35 wage rate would climb to $3.75 at the beginning of next year, to $4.15 in 1990, and to $4.55 in 1991. The original Kennedy-Hawkins bill called for a three-step increase to $4.65 in 1991. The new plan abandons the fourth annual increase, to $5.05 in 1992, which was added to the original bill.

It is "outrageous" to call the new $4.55 proposal a "compromise," Richard Berman, director of the Minimum Wage Co-

*(See **DEMOCRATS**, page 84)*

CHARLES BERNSTEIN ON EXEC PERILS: NOBODY WALKS ON WATER — Page F3

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Vol. 22, No. 27 July 4, 1988

# NEWS DIGEST

## Denny's cuts menu 25%, sheds trendy entrées

LA MIRADA, Calif. — The 1,200-unit Denny's chain has jettisoned nearly 25 percent of its menu items in a move to speed service, refocus on "traditional" family restaurant fare, and balance breakfast, lunch, and dinner offerings.

The new menu omits such upscale entrées as seafood stir-fry, Dijon herb chicken, and pasta primavera with seafood. "We've pared back our dinner selection while still maintaining a strong offering of fried chicken, steak, and seafood," a Denny's vice president said.

Fulfilling objectives set by parent company TW Services shortly after Denny's was acquired last year, the restructured menu signals a "recognition of the need to focus on all dayparts," a spokesman indicated.

A "cross-daypart" summer promotion of chicken-fried steak—in a breakfast combo ($3.59), a sandwich ($3.79), and a dinner ($4.99)—typifies the chain's new marketing thrust, the spokesman added.

## Postle, past Wendy's exec, named coo of yogurt chain

DALLAS — Rick Postle, a former high-level executive of Wendy's International, has been named chief operating officer of Brice Foods and I Can't Believe It's Yogurt, based here.

Postle

Postle will oversee day-to-day operations of both ICBIY, which franchises yogurt stores, and Brice Foods, which produces the frozen yogurt sold in the ICBIY stores and in supermarkets in 28 states.

Postle was executive vice president of Wendy's, with responsibility for all company restaurants, when he resigned in 1987. He stepped down to become a franchisee, Wendy's said at the time.

## Soup Exchange grants license to Magic Pan

SAN DIEGO — Soup Exchange, the 10-unit salad-soup-bakery buffet chain, has sold development rights for Canada and all states east of the Mississippi River to a newly formed subsidiary of Magic Pan International, the 50-unit specialty dinner-house operator.

California Soup & Salad International, the arm of San Francisco-based Magic Pan, would open 55 Soup Exchange units over the next 30 months under the terms of its pact with the San Diego company. CSSI said it expects to develop 100 of the high-grossing food-bar outlets by 1994.

Soup Exchange has sold franchises for Arizona and Nevada and is negotiating sales in four other Western states.

## McCarty gets go-ahead for Santa Monica hotel

SANTA MONICA, Calif. — The City Council has awarded rights to develop a posh seaside hotel to restaurateur Michael McCarty, owner and operator of the renowned Michael's here.

A group led by McCarty plans to construct a 148-room hotel on the site of Sand and Sea Club, one of the city's last remaining exclusive beach clubs. The site was once the estate of Marion Davies, the 1920s mistress of media baron William Randolph Hearst.

## Jack in the Box revamps salad line

SAN DIEGO — Jack in the Box has overhauled its six-year-old packaged salads line with the addition of a Mexican-style chicken version and the reformulation of the taco and chef's salads.

All three are priced at $2.99

The new and revised salads are part of Jack in the Box's effort to bolster sales through new product introductions.

## Spillman secures license to open Atlanta Pizza Inns

ATLANTA — F.J. Spillman, the former Pizza Inns president who unsuccessfully attempted to take over the pizza chain through a leveraged buyout, has signed on as a franchisee of his former employer.

A Spillman-owned concern, Atlanta Management, has acquired 13 franchised Pizza Inns and development rights to the greater Atlanta area.

Under the expansion agreement, Spillman is obligated to open 20 full-service Pizza Inns and five take-out-and-delivery units.

Spillman was outbid last year by Pantera's Corp., a regional pizza chain, in his attempt to take control of Pizza Inn.

More recently, he sought in vain to acquire Mrs. Winner's Chicken & Biscuits, a fast feeder based in the Southeast.

## Capitanini dies at 89, owned Italian Village

CHICAGO — Alfredo Capitanini, founder of the Italian Village, one of the oldest downtown restaurants here, has died. He was 89.

He opened the restaurant in 1927, eventually turning over operations to his sons, Ray and Frank Capitanini, and grandchildren, who continue to run the place today.

After retiring, Capitanini was still involved with the activities of the restaurant, which he supplied with tomatoes and herbs from his large garden.

"He was the first Italian restaurateur to put real Italian dishes on the menu that no one in Chicago had heard of," Ray Capitanini said of his father.

## Pillsbury eyes baked line sold in New Orleans units

NEW ORLEANS — The owners of four Häagen-Dazs dipping stores here are testing a line of cookies, brownies, and muffins that executives of Pillsbury, Häagen-Dazs' parent, are reportedly eyeing for a possible chainwide rollout.

The Cookie Time array, which is also sold here through an outlet of that name, was developed by local Häagen-Dazs operators Jerry and Francine Siegal in consultation with Warren LeRuth, the nationally known chef.

The Siegels told a local newspaper that Pillsbury has already conducted taste tests of the baked goods.

## Aer Lingus sells Omni to Hong Kong firms

NEW YORK — Aer Lingus, the Irish airline, has agreed to sell its 39-property Omni Hotels Group for $135 million to Hong Kong-based World International (Holdings) Ltd. and an affiliated concern, The Wharf (Holdings) Ltd.

World Group operates Marco Polo International, a group of hotels in the Far East.

Several of Omni's hotel restaurants, particularly bistros in New York and Washington, have been critically acclaimed.

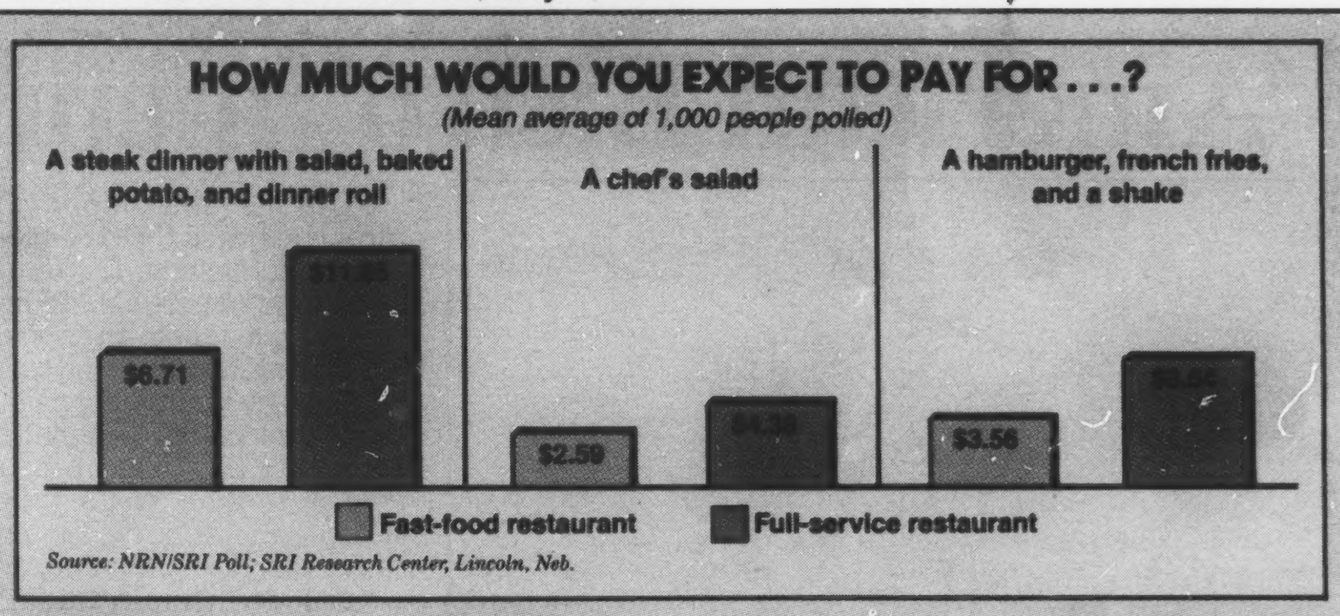
Their creator, Walter Staib, stepped down as head of Omni's food-and-beverage operations to join Specialty Restaurants Corp. of Long Beach, Calif., a few weeks before the deal was disclosed.

## Rieses buy O'Neal's units, plan to open several more

NEW YORK — The Riese brothers, franchisees of a mixed bag of restaurant concepts here, have purchased O'Neal's Baloon and O'Neal's 57th St., two well-known saloons in Manhattan that are operated by Michael O'Neal.

The Rieses said they plan to open more O'Neal's bar and grills in other areas of Manhattan.

Among the Rieses' 200 restaurants are franchised Pizza Huts, Roy Rogers, Houlihan's, and Del Taco units.


HOW MUCH WOULD YOU EXPECT TO PAY FOR . . .?
(Mean average of 1,000 people polled)
A steak dinner with salad, baked potato, and dinner roll
A chef's salad
A hamburger, french fries, and a shake
$6.71
$2.59
$3.56
Fast-food restaurant
Full-service restaurant
Source: NRN/SRI Poll; SRI Research Center, Lincoln, Neb.

# How much is service worth? Consumers say twice the price

**By Rajan Chaudhry**

Consumers say they expect to pay $3.56 for a burger, fries, and a shake at a fast-food restaurant, but they'll shell out almost twice as much, $6.64, for the same meal at a full-service restaurant.

NRN SRI Poll

That's just one of the findings of an exclusive new Nation's Restaurant News study that compares consumer price expectations for fast-food and full-service restaurants.

The NRN/SRI Poll, conducted by Lincoln, Neb.-based SRI Research Inc., asked 1,001 consumers nationwide what they would expect to pay for three meals—a hamburger, french fries, and a shake; a steak dinner with salad, potato, and dinner roll; and a chef's salad—at both fast-food and full-service restaurants.

On average, consumers said they would pay 77 percent more for a steak dinner at a full-service restaurant, $11.85, than they would for a steak dinner at a fast-food restaurant, $6.71.

Consumers also reported that they would pay about 69 percent more for a chef's salad at a full-service restaurant, $4.38, than they would for the same dish at a fast-food restaurant, $2.59.

Across the board, consumers in the Northeast and West expect to pay higher prices than those in the South Central or North Central regions of the United States.

Consumers in the West, for example, expect to pay the most for a hamburger, fries, and a shake at a fast-food operation, $3.73, while those in the North Central region expect to pay the least, $3.41.

And consumers in the Northeast expect to pay the high, $7.27, for a hamburger, fries, and a shake at a full-service restaurant, while those in the North Central and South Central regions, at $6.25, tie for the low.

The price consumers expect to pay for a steak dinner at a fast-food restaurant ranges from a high of $7.15 in the Northeast to a low of $6.50 in the North Central region.

And customers in the Northeast also report the high for a steak dinner at a full-service restaurant, $13.37, with those in the South Central area reporting the low, $11.14.

Westerners say they'll fork out the most lettuce for a chef's salad at a fast-food restaurant, $2.83, while their counterparts in the South Central United States will pay only $2.49.

Likewise, Western consumers expect the biggest ticket for a chef's salad at a full-service restaurant, $5.08, while those in the North Central region expect the smallest tab, $4.03.

# Striking back with an Empire

## *Former Ponderosa ceo Office acquires full-service chain*

**By Bill Carlino**

DAYTON, Ohio — Sixteen months after stepping down as chief executive of the Ponderosa steak-house chain, Gerald R. Office is returning to the restaurant industry with his purchase of Empire Family Restaurants Inc., a string of dinner houses.

"I saw a great potential for growth with this company," said Office, who left Ponderosa after the 670-unit operation was acquired in a hostile takeover by financier Asher Edelman. "After considering several investment opportunities, I felt that Empire restaurants was a fundamentally sound operation."

Having acquired the 10-unit, full-service dinner-house chain from founders John Irmscher and Ed McGillvary for an undisclosed sum, Office unveiled a target expansion goal of 75 restaurants by the end of 1993 and a more immediate plan to relocate the corporate offices here.

**Gerald R. Office**

*'Full-service family dining is perhaps the fastest-growing industry segment today,' said Office.*

"Full-service family dining is perhaps the fastest-growing industry segment today," Office said. "I see no reason we can't fulfill expansion and operational expectations with an experienced team."

Former Ponderosa controller Dale Ridenour joins Office as Empire's chief financial officer, while Jeffrey Seaton has been appointed as operations manager. Irmsher and McGillvary will remain with Empire as consultants.

Office joined Ponderosa as an attorney in the late 1960s before working his way up to chief executive. He is credited with being the driving force behind the chain's prolific expansion.

# New restaurant managers group pushes certification

**By Alan Liddle**

LAS VEGAS, Nev. — Hosting hundreds, not the thousands of attendees it expected, the National Association of Restaurant Managers used its inaugural convention to publicize a "certified training program."

But not everyone attending saw a need for such a "professional" restaurant manager's certificate. One panelist even doubted "professionalism" could be taught.

NARM, a family-run enterprise that hopes to be so profitable at representing unit-level managers nationwide that it can eventually go public, staged its convention here at the Las Vegas Hilton.

The event featured a trade show, a panel on "Professionalism in the Industry," and seminars on such topics as "polyviewing," or the practice of observing a job applicant's body language to detect lying during interviews.

Kenneth W. Paulson II, formerly a unit manager for Wendy's and Fuddrucker's, is president of the year-old Scottsdale, Ariz.-based NARM. His father, Kenneth W. Paulson, an accountant, is the executive vice president.

The Paulsons told reporters the four-part certified restaurant management training and testing program the association hopes to develop by December will benefit managers by "elevating" their "professionalism" and "self-esteem." It should also improve the public's perception of restaurant management as a profession, they said.

The NARM officials indicated that certification could increase mobility among managers by creating a standard that employers can use to judge job candidates; help managers learn universal skills that the proprietary training programs used by their companies might skip over or spend too little time on; and lead to higher wages for managers who increase their companies' profits.

But conventioneer Paul Martin, general manager of the Dining Room at Black Comb, a ski resort in Whistler, British Columbia, was uncertain how he would benefit from certification.

Despite his training at Ryerson Polytechnical, a noted three-year hotel and restaurant management school in Toronto, Martin said, new acquaintances still regularly give him "a look like, 'What are you going to do when you grow up?'"

"I don't know what a certificate would do for me," he said, expressing not only a dislike for unnecessary titles but also doubts that a NARM-issued proclamation of professionalism would do any more than his Ryerson degree to increase public acceptance of his work.

**National Association of Restaurant Managers president Kenneth Paulson Jr. speaks at first convention in Las Vegas.**

"How each and every one of us [managers] interacts with the public will have a much greater bearing [than certificates] on how we are perceived," Martin said.

While members of the "Professionalism in the Industry" panel did not always agree, they seemed to concur with moderator Brian Herron that certification in any form should be "optional" and handled by an organization representing unit-level managers.

Herron, a consultant and former National Restaurant Association staffer, repeatedly pointed to the success of the American Culinary Federation in improving the image of chefs through public relations and a certification program. He indicated that the ACF's gains prove that a targeted trade association can achieve goals such as those set by NARM.

The positions of Deven Black, general manager of the North Star Pub in New York, and Tony Feicco Jr., Northeast regional director for the International House of Pancakes chain, demonstrated the differing views of the panelists.

Black, the only unit-level manager on the panel, maintained "you can't teach professionalism. It is entirely self-generated—an attitude one has about whatever he does." He favored certification because "I want a standard against which I can measure myself."

Feicco said he "feels strongly that professionalism can come through education, whether it be by osmosis or talk in the classroom." Certification is a good idea, he said, because "if we don't give [managers] recognition, they are going to leave [the industry]."

Panelist Jim Sullivan, president of Penguin Productions, a Denver consulting company specializing in training programs, said a certificate would not sway him, as an employer, from subjecting a job candidate to rigorous testing of job-related skills.

# FOCUS | VIEWPOINT

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# Executive perils: nobody walks on water

How the mighty have fallen!

Jeffrey Campbell, hailed by some as a genius after he moved up to Burger King president in 1983 and showed glowing initial results, has resigned as parent Pillsbury's restaurant group chairman.

Early this year he barely survived, given a reprieve when William Spoor returned to succeed his own designated successor, John Stafford, as Pillsbury chairman and chief executive. But this time Spoor apparently was determined to leave a clean slate for his next successor, likely to be named from a list of potential candidates, including Kraft president and former KFC chairman Michael Miles (the only one with both restaurant and manufacturer background), Quaker Oats chairman William Smithburg, and General Foods chairman Philip Smith.

Whether Campbell was pushed or walked out, his days at Pillsbury were numbered with earnings slumping in the restaurant group; Burger King, Steak & Ale, and Bennigan's faltering; and Godfather's Pizza, Quik Wok, and Bay Street being sold off.

He was a logical scapegoat for problems that hit Steak & Ale and Bennigan's before he ever assumed the Pillsbury post a year ago. The position almost certainly will be left vacant, as it had been for a few years before Campbell got the job.

Meanwhile, Pillsbury has promoted Burger King president Charles Olcott, who reported to Campbell, to BK chief operating officer for both domestic and international units. Olcott will report directly to Spoor.

In further Pillsbury changes, Kyle Craig resigned as S&A Restaurants Corp. (Steak & Ale and Bennigan's) chairman and chief executive. S&A president Don Slater was given increased responsibilities there. Jerry Levin, a Pillsbury executive vice president who is regarded as a mergers and acquisitions expert, becomes S&A chairman.

When Burger King was riding high in 1984-85, Campbell seemingly could do no wrong. But when its product and advertising image faltered, he received the brunt of the criticism. He was more effective in marketing than in operations.

Besides highlighting turmoil in the executive ranks, the rise and fall of Jeff Campbell emphasizes that nobody is immune to the industry's uncertainties. Each executive in the food-service business or in any other field can thrive under a certain set of circumstances but may falter under different conditions.

Don N. Smith is another prime example of the syndrome. Once touted by industry pundits as the eighth wonder of the world, he jumped to Burger King president 12 years ago just after being promoted to McDonald's chief operations officer. He seemed to perform miracles at Burger King on the operations side in the late 1970s as morale at the units soared.

Smith's performance over the next few years as PepsiCo restaurant group president seemed admirable as Pizza Hut and Taco Bell merely stretched their wide No. 1 leads in their respective markets. Even as he left there in 1981 and became chief executive of Diversifoods (a major BK franchisee that also owned Chart House), he was hailed as a savior.

Just 18 months later, after he had acquired Godfather's Pizza but had failed in efforts to create a viable restaurant empire and could not complete a leveraged buyout of his company, he was ousted. Suddenly, Smith was not being described as a hero at all, only as "an overrated has-been."

Still, he rebounded and has done a competent turnaround job as president of Perkins Family Restaurants.

With financial backing from the Bass Brothers of Fort Worth, Texas, inside sources say, Smith in recent months made an abortive attempt to acquire Wendy's or at least looked seriously at the situation. And in one of the great ironies of food-service careers, the man who was hailed as Burger King's charismatic hero a decade ago was perceived by some Burger King franchisees recently as "not charismatic enough" to warrant their backing in a potential bid that Smith had been pondering to buy BK from Pillsbury.

The fate of this industry's heroes is indeed unpredictable—except perhaps for McDonald's Fred Turner and Mike Quinlan and Chili's Norman Brinker. But even Brinker, who seemingly can do no wrong, would probably be the first to acknowledge that he some day may meet his match or "lose" his touch.

Fame is as fleeting in the food-service wars as it is on the sports fields. Those placed on any pedestal of public acclaim may be destined to fall from grace—sooner or (if they are lucky) later.

## LETTERS

### *Restaurateurs must voice discontent with legislators*

Editor, NRN:

Your recent editorial on May 16, "Key Capitol Hill Issue: Credibility" was quite insightful. Americans all too often look to simple answers to solve complex problems. I am afraid we seldom take the time or, for that matter, have the desire to see beyond surface issues. As a consequence, our society suffers.

Taxation of our industry is a clear example of how the majority of those who serve us in the legislature cannot see the forest through the trees. While it is quite true, additional revenues have been raised short term through:

- Making restaurateurs record-keepers of tips.
- 80-percent meal deductibility.
- FICA on tips.

This short-term gain will and has resulted in the closing of operations, curtailment of growth and the loss of jobs. Through inappropriate taxation, our industry is forced to raise prices and, as a consequence, forces consumers to alternative sources, such as supermarkets where, for the most part, no taxes are derived.

Further, to the discredit of our fellow operations, they did not speak loudly enough to those who have caused us this pain. Rather, they are silent. Restaurateurs are *afraid* to confront those who serve us in the legislature. However, our customers are not reluctant to tell us how they feel.

Our ". . . industry deserves a fair and equal hearing." And, we are not the only ones who can gather those who count to our hearing. Lobbying is not a bad word. In fact, lobbying is just another word for teaching. The National Restaurant Association can provide the hard research data, but we must be the teachers.

**—Stephen E. Elmont**
*president*
Creative Gourmets
Charlestown, Mass.

### *Opposition to wage hike no longer in best interest*

Editor, NRN:

In your May 9 issue, you summarize the findings contained in a story by Ronald Krumm, a University of Chicago economics professor. He predicts "disemployment" (whatever that is) and generally negative effects as a consequence of legislation raising the minimum wage.

Just one day later, the New York Times (on page 1, May 10) reports that "with fewer young people entering the labor force than in the early 1980s, supermarkets and fast-food outlets are having problems finding counter workers. This has pushed up pay to $5 to $6 an hour from the $4 or less that was common two or three years ago."

Doesn't this—if true—make the quoted minimum wage study outdated and irrelevant?

Additionally, from my years of labor-cost studies and payroll control work experience in the food-service and lodging industry, I do not believe that well-managed restaurants and food-services of any kind ever have more staff than justified by operation needs reflected in manpower tables and work schedules.

Hence, the threat of a loss of jobs in our industry because of increased minimum wages is just not plausible.

If, however, the opposition to an increase in the minimum wage is a symptom of an antiquated management attitude, it is no longer in our industry's best interest.

**—Kenneth R. Burley**
Maryville, Tenn.

### *Editor scores victory with acquisition game*

Editor, NRN:

Your March 21 Editor's Corner column was an outstanding article on the acquisition game.

You showed excellent insight into what it takes to drive a successful restaurant chain.

**—Tully Rankin**
PYA/Monarch Inc.
Greenville, S.C.

7/11/88 C5150-5

NEWSPAPER

**Mega-distributors bid for dominance**

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**Where there's smoke there's ire**

New York Metro Rep

**JB's Restaurants on F50**

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# Sous vide safe?

## *Yes, concedes FDA, if it's done carefully*

**By Deane Evans**

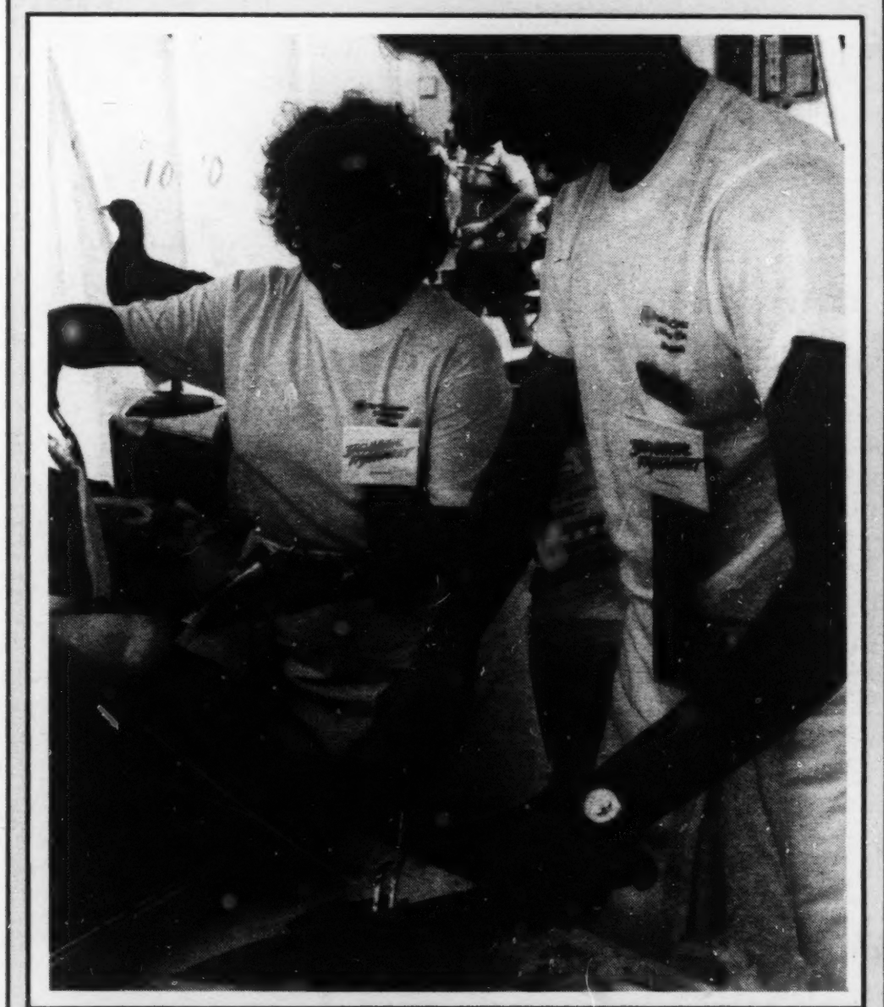
WASHINGTON — Sous vide, the European pouch cooking system that drew fire from federal food safety specialists earlier this year, may still be the wave of the future for restaurants, government experts acknowledged.

The same Food and Drug Administration officials who said that non-commercial sous vide violates existing food codes now concede that "in the long run, it can be done safely."

The controversy over sous vide boiled over several months ago after the National Restaurant Association asked the FDA for an opinion on the safety of the process. In response to that query, Thomas L. Schwarz, retail food protection assistant director, declared that the agency's model Food Service Sanitation Code prohibits "the use of food in hermetically sealed containers that was not prepared in a food-processing establishment."

"Although originally designed to prohibit the use of

*(See FDA, page 114)*



NRN Photo

**Workers from Delmonico's prepare fajitas at the Houston Fajita Meet, held in conjunction with the TRA show.**

# *Talk of Texas show: 'We're coming back'*

**By Tracey Taylor Woodard**

HOUSTON — Voicing newfound optimism in the state's diversifying economy, food-service operators at the Texas Restaurant Association show here said they saw mounting signs of recovery.

"It's bottomed out, and we're coming back," declared Fred W. Dollar, 1988-89 TRA president. "We're on the upswing; we lost a few [operators], but the dedicated opera-

*(See TEXAS, page 114)*

# Ryan's ripped by sales losses, chief exec exit

## *Chill grips hot growth chain*

**By Rick Van Warner and Bill Carlino**

GREER, S.C. — Rapidly deteriorating same-store sales and the surprise resignation of chief executive T. Mark McCall are suddenly tearing holes in Ryan's Family Steak Houses' shroud of invincibility.

Ryan's comparable restaurant sales plunged 7.5 percent in June from year-ago levels, after falling 5 percent in May, 2.4 percent in April, and 1.9 percent in the first quarter of 1988, the worst comparisons the company has posted in years.

In real terms, the situation is even worse because the 110-unit budget steak-house chain recently hiked menu prices 3 percent.

Meanwhile, McCall, 30, said he is exiting from the chain to pursue personal business interests.

"I've always planned one day to start my own company, and this seemed the appropriate time to break away and do it," McCall said. "I had no desire to continue in a chief exec-

**T. M. McCall**

utive capacity and own less than 1 percent of Ryan's."

Alvin McCall, 61, Ryan's founder, chairman, and T. Mark McCall's father, will return as chief executive, heading up day-to-day operations after a two-year hiatus. Chief financial officer Charles Way, 35, was named president.

Several factors have sparked Ryan's retreat in comparable restaurant sales, including bad customer reaction to the first menu price increase in four years, analysts said.

Ryan's, which is known for its strong price-value relationship, has traditionally relied on a base of loyal customers who visit the restaurants frequently, and the price hike may have alienated this group.

In addition, competition has

*(See McCALL, page 114)*

# Democrats cast spotlight on restaurants of Atlanta

**By Jack Hayes**

ATLANTA — About 35,000 Democrats and their followers from the international press—chasing a presidential nominee and a taste of Southern hospitality—are about to focus the eyes of a news-watching world on Atlanta.

But this city of 1,200 food-service establishments, which hasn't hosted a major political event since the Confederacy, doesn't expect a dining-out landslide during the four-day Democratic National Convention July 18-21.

"There's a joke about every Democrat coming in with a clean shirt and a hundred-dollar bill—and no intention to change either," Bob King, who is president of the Georgia Hospitality and Travel Association based here, said, laughing.

In fact, restaurant operators who depend on the patronage of local clientele

*(See ATLANTA, page F32)*

**Bush or Dukakis?**

NRN wants to know where the industry stands on the presidential election: Republican George Bush or Democrat Michael Dukakis? Cast your ballot by calling toll-free.

NRN Hot Line
1 (800) 678-7711

**FOOD WATCH**

## *Curry à la Japan*

LOS ANGELES — Curry has transcended Indian cuisine as the signature dish of the aptly named Curry Club on Melrose Avenue here.

Japanese-style curry is a thick, dark brown sauce poured over a heaping helping of whiter-than-white rice and accompanied by pickled vegetables and a crisp green salad—all for about $5.

The Curry Club offers seven varieties—plain curry sauce, with mixed vegetables, with Japanese shimeji and enoki mushrooms, with beef cubes, with chicken, with shrimp, and with scallops. —Ken Frydman

# Tom Brokaw set to speak at MUFSO 88

**By Charles Bernstein**

NEW YORK — Tom Brokaw, anchor of the "NBC Nightly News," has agreed to address Nation's Restaurant News' 29th annual Multi-Unit Food Service Operators conference at the Washington Hilton on Monday, Oct. 3.

MUFSO 88

Brokaw will discuss the election, political and economic trends, and the labor outlook. He will answer questions from the audience following his talk.

Also appearing that morn-

*(See BROKAW, page 114)*

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Vol. 22, No. 28 July 11, 1988

# NEWS DIGEST

## Southern Hospitality seeks shelter under Chapter 11

NASHVILLE, Tenn. — Southern Hospitality, the 29-unit Wendy's franchisee that is based here, has filed for Chapter 11 bankruptcy protection.

The company's filing, which lists debts of $25.3 million and assets of $21.1 million, comes on the heels of founder and chairman Wayne Oldham's resigning so that he could return to show business.

Henry P. Hillenmeyer, who remains president and chief operating officer of Southern Hospitality, succeeded Oldham as chairman and chief executive.

Hurt by overzealous expansion a few years ago and problems with the Wendy's concept, Southern Hospitality has reported losses for more than a year.

The company lost $3.7 million, on $24.2 million in revenues, for the nine months ended Feb. 29.

Under the colorful Oldham, a former radio star, Southern Hospitality had flirted with a variety of hospitality startups, including an unusual type of convenience store and, most recently, a delivery-only pizza chain called Big O's.

Both ventures have been abandoned.

## Court lifts nude ban during Dem convention

ATLANTA — A last-minute court ruling has blocked for at least 30 days a Georgia law that threatened to ban Atlanta's nude-dancing clubs from serving alcohol during the Democratic National Convention.

The ruling was in response to a suit filed in Fulton Country Superior Court by The Gold Club, one of Atlanta's major establishments featuring nude dancing.

The Gold Club attacked the law as being vague and too broad.

The decision could influence the outcome of another suit, filed by Atlanta's Cheetah III nude-dancing club, which challenges the Georgia law's constitutionality.

## Marriott set to buy 91 Wag's for Allie's conversions

WASHINGTON — Blazing an expansion path for its new Allie's coffee-shop concept, Marriott Corp. has agreed to buy 91 freestanding Wag's family restaurants from the Walgreen drugstore chain for an undisclosed amount.

Marriott is expected to convert the units to Allie's outlets.

The same fate is anticipated for the 34 Bickford's family restaurants that Marriott agreed in May to acquire from Constar International, a packaging manufacturer.

The Bickford's units are concentrated in New England.

Marriott recently unveiled its Allie's concept, which features an all-you-can-eat buffet, in San Diego.

The company plans to transform Bob's Big Boy units into three more Allie's units in the next few months.

## Bay State Motor Hotel gets HoJo franchising rights

BOSTON — In two separate transactions, Bay State Motor Hotel Trust, a hotel operator here, has acquired the rights to franchise the Howard Johnson restaurants and hotels in Canada.

The deals have also transferred ownership of all 17 Howard Johnson restaurants and hotels currently operating in Canada to Bay State and its affiliate, Orangeroof Holdings Ltd.

Orangeroof paid $24.8 million for Hanson Industries' 74-percent stake in the Canadian operations.

Hanson is the parent company of the Ground Round family restaurant chain.

Bay State acquired the remaining 26-percent interest from an unidentified Canadian family for about $6 million.

Bay State operates five Howard Johnson restaurants and hotels in the United States.

## Wyoming, last in nation, raises drinking age to 21

CHEYENNE, Wy. — This sparsely populated state's restaurants have lost their distinction of being the only ones in the nation that could legally serve alcoholic beverages to 18-year-olds.

Bowing to pressure from the federal government, Wyoming this month raised its minimum drinking age to 21, following the lead of the other 49 states.

Four previous refusals to raise the age limit had cost Wyoming more than $8 million in federal highway subsidies.

In an attempt to reduce fatal automobile accidents, the federal government had denied highway funding to states that did not hike their legal drinking age.

## H&H sets Bojangles' sale to franchisee Carabo

LAS VEGAS — Horn & Hardart has signed a letter of intent to sell its Bojangles chicken and biscuit chain to Greenville, S.C.-based Carabo Inc., the largest Bojangles franchisee, for $20 million.

Under the agreement, Carabo is acquiring the Bojangles name, the franchising system, which now includes 148 restaurants, and 39 company-owned units.

Horn & Hardart said Carabo will pay $16 million in cash and $4 million in a senior subordinated note for the chain. Bojangles reported revenues of $50 million in 1987.

## Westbury hires Brennan to follow Boely at Polo

NEW YORK — The Westbury Hotel here has hired Terrance Brennan, formerly the chef at Annabelle's, to take over the kitchen of its highly regarded Polo restaurant.

The Polo's former chef, France's renowned Patrice Boely, was laid off after the Westbury decided to replace Polo's French menu with an American bill of fare.

Replacing Brennan as chef of Annabelle's is Jeremy Marshall, who moves up from the level of sous chef.

## Dunkin' Donuts' cookie test uses new frozen dough

RANDOLPH, Mass. — Dunkin' Donuts is testing an improved fresh cookie program in 50 stores in Austin, Texas, and Boston.

The test involves a change in operations—frozen cookie dough is used instead of a mix—and modifications in packaging, pricing, promotion and merchandising.

"We will be selling the cookies by the half-dozen for $1.99 instead of individually," said Sidney Feltenstein, senior vice president of marketing for the 1,714-unit, largely franchised chain.

The cookies will be sold in a freestanding display case.

"Cookies aren't going to be 20 percent of our sales, but there is the potential for incremental sales gains, which could be meaningful," Feltenstein said.

## Aspen food meeting diners told of hepatitis outbreak

ASPEN, Colo. — Several hundred people who participated in the Food & Wine Classic and attended a June 24 dinner at the Grand Champions Club here received overnight letters a week later from the sponsor, informing them that six cases of hepatitis A had been traced to an employee of the club.

According to health authorities here and Dr. Richard E. Hoffman of the Colorado Department of Health in Denver, two individuals who contracted the disease were employees of the club but were not involved with the preparation of the dinner that evening. Nor did they attend the event.

The other four victims were members of the club, according to a club spokesman.

"No one who attended the dinner has to worry," he said.

# FOCUS | VIEWPOINT

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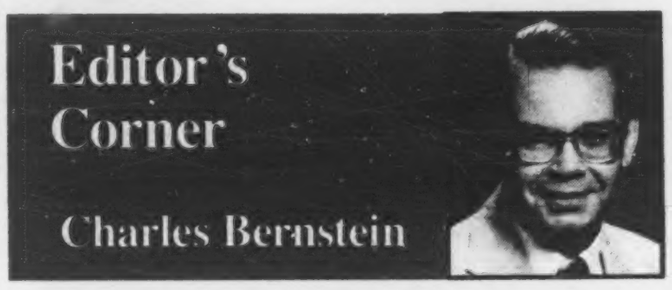
# Service charges: Polls say no, but . . .

Restaurateurs, managers, waitresses, and consumers are heavily in favor of retaining tips as a customer prerogative and generally shy away from any thought of mandatory service charges.

The extent of these sentiments depends on which survey one believes or on the scuttlebutt one hears. A Chicago Tribune phone-in poll of customers in May, just before the National Restaurant Association Show, found customers in favor of tips and opposed to service charges by a 10-to-1 margin. A Nation's Restaurant News telephone Hot Line poll last month, as reported July 4, showed readers favoring tips by almost a 5-to-1 margin.




It is no surprise that customers want to exercise freedom of choice and are not anxious to adopt the "undemocratic" European method of compulsory service charges. Nor should it astonish anyone that waiters and waitresses are not opting for a "guaranteed" income through service charges and that managers and owners are not jumping on the service-charge bandwagon.

A hidden element in any public-opinion survey on a new idea is the intense pressure for the status quo. People tend to be creatures of habit and to opt for change only under severe conditions. It is more comfortable to stick with current modes.

But now it is time for everyone to seriously consider the merits of service charges—even those of us who believe in complete customer freedom of choice. The new Social Security tax on tipped income has radically changed the game, and this legislation is not likely to be overturned or radically altered despite valiant industry efforts.

A small but growing number of restaurateurs have responded with a mandatory 15-percent or 20-percent service charge. If more operators adopted the measure, what would be the consequences?

Clearly, such a process would drastically reduce the massive bookkeeping required to keep track of tip income under the new legislation. Besides cutting expenses, service charges could avoid the specter of IRS audits, which might find that employees do not report anywhere near all their tips.

Restaurateurs are up against the wall under the new laws and admittedly have to play defensive ball. With tips becoming a burden, service charges may be a necessary answer. They certainly are a simple, if unpopular, solution.

A switch from tips to service charges would put more emphasis on salaries. Rather than in effect saying that waiters and waitresses can derive much of their income from tips, operators would be compelled to provide most of the income in salaries—not necessarily a bad idea.

Customers today often tend to tip no more than 10 percent, causing resentment among waiters and waitresses who may have provided the best, most courteous service—all seemingly for naught.

Yet any service-charge plan has deficiencies. It would take away an incentive for waiters and waitresses to raise their performance levels. It could lead to shoddy or haughty service, such as is sometimes experienced in Europe, where mandatory service charges are common.

Service charges imply equal treatment of employees—a mixed blessing that could produce mediocre performances and an "I don't care" attitude.

Consumers—already upset each time prices rise—may resent being forced to pay an enforced charge. They might see it as a rip-off—especially since they would have to pay a sales tax on it.

They don't want to be deprived of their inalienable right to tip as little or as much as they please. If service is terrible, customers might leave no tip. Or if service is wonderful, they might leave 25 percent.

Some people have a difficult time in trying to figure out how much to tip and might appreciate an automatic charge whereby they can avoid a difficult choice. If they so desire, they could still leave a little extra for the waiter or captain—a possibility that might cause more confusion and anger.

One overriding point in this debate: With tipping still the custom at most restaurants, service and pride have continued to deteriorate.

Considering the added burden of the new Social Security tax on tipped income and the cumbersome bookkeeping requirements, now might be the perfect time to opt for change and try service charges as a less-than-perfect but practical solution to a serious dilemma.

## LETTERS

### *Support in time of need appreciated by Karchers*

Editor, NRN:

After reading Charles Bernstein's Editor's Corner in the May 23 issue, I felt I had to write a note. Carl and I and our families know we have many friends, but since the SEC issue was filed, we have been overwhelmed by the response and support we have received. Your article certainly reflected that.

On behalf of Carl, our families, and our company, I thank you for your very kind comments and support, which I am sure was read by many who know or are familiar with the Karcher name.

In addition, please, would you please pass on our thanks to your West Coast editor, Richard Martin, for his comments.

**—Donald Karcher**
*president*
Carl Karcher Enterprises
Anaheim, Calif.

### *Turnover mark ranges from 250% to 400%*

Editor, NRN:

I appreciate your June 6 Editor's Column corner, "Help Wanted."

We are a company that prides itself on employee longevity. Our average worker has been with us about six years, which is very unusual for the computer software industry.

Because most of our clients are food chains, I noticed your remark that "turnover in restaurants [is] well over 100 percent." Our 26 years of experience in the industry leads us to believe the number is between 250 percent and 400 percent.

**—Wendell Stephenson**
*chief executive officer*
Stephenson Financial Services Inc.
Los Angeles

### *Attitude on turnover could prolong problem*

Editor, NRN:

Professor Atid Kaplan of the Hotel, Restaurant, and Institutional Management Department of the University of Denver wrote a column in Nation's Restaurant News April 4 that was a disappointment to me—if it was serious.

He addresses the turnover situation in the hospitality field in a manner that, if passed on to future managers, will prolong our problems.

I sincerely hope that the article was written in jest.

**—John Kettenhofen**
*director*
Broyhill Inn & Conference Center on Appalachian State University campus
*instructor*
Restaurant Hotel Resort Management Program at ASU

### *Reader desperately seeks Buffalo's 'Beef on Wick'*

Editor, NRN:

Professor Don Smith's viewpoint, "Buffalo entrepreneur's success cannot be measured," was a good lesson, as well as an obviously deserved tribute (along with the revelation that outside New York City, Los Angeles, and San Francisco, you can find food that is actually edible).

I live less than an hour away from Buffalo. I'd certainly make that drive (and be prepared to explain to the customs officer that I came over for a Beef on Wick, and not cheap shopping).

But where to go? Why couldn't you give the "poor devil" a plug? Okay, his name's not Wolfgang Puck or Michael Grisanti . . . but isn't he doing what a restaurateur is supposed to be doing—satisfying his customers with good food, and making a good living for himself in doing it?

Surely you wouldn't want your readers to roam the taverns of Buffalo in search of Beef on Wick that "looks like a lot." C'mon . . . what's the poor guy's name?

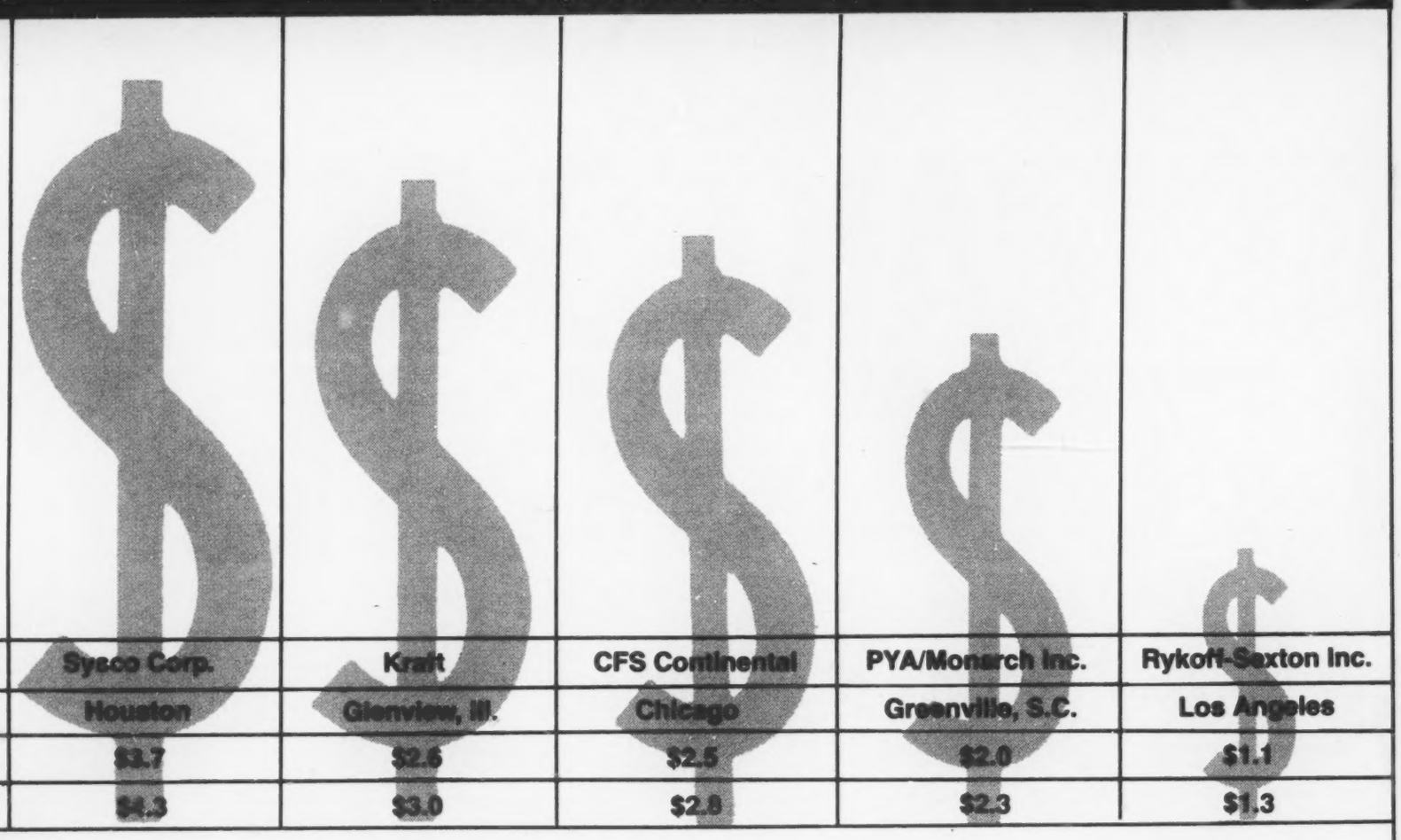
**—Carolin Wilson**
Del McMillan Design
Niagara-on-the-Lake, Ontario

**More letters appear on page F8**

# FOCUS | COVER STORY

## THE TOP FIVE FOOD-SERVICE DISTRIBUTORS

*(Ranked by sales, $ billion)*



| Company | Sysco Corp. | Kraft | CFS Continental | PYA/Monarch Inc. | Rykoff-Sexton Inc. |
|---|---|---|---|---|---|
| Office | Houston | Glenview, Ill. | Chicago | Greenville, S.C. | Los Angeles |
| 1987 | $3.7 | $2.6 | $2.5 | $2.0 | $1.1 |
| 1988 | $4.3 | $3.0 | $2.8 | $2.3 | $1.3 |

Source: NRN Research.

Notes: Sysco Corp.'s agreement to acquire CFS Continental from parent Tate & Lyle is not reflected here. Kraft Inc. is the parent of distributor Kraft Foodservice Group. It had formerly been part of Staley Continental. Sara Lee Corp. owns PYA/Monarch.

# BIG DISTRIBUTORS STALK THE LOCAL SPECIALISTS

**By Rick Van Warner**

Local specialists still rule food-service distribution, but mega-distributors are gaining ground, gobbling up smaller players as they strive for national penetration and increased market share.

Although the top five superdistributors control about 12 percent of the $100 billion food-service distribution business, the conglomerates have changed the face of this traditionally fragmented, mom-and-pop industry. Forced to reckon with the broad-line giants, distributors everywhere have become increasingly sophisticated, deploying computer technology and expanding the range of services they offer customers.

Meanwhile, large groups of independent distributors have banded together through such organizations as ComSource and Code to offset the purchasing and marketing clout of the giants.

*Large groups of independent distributors have banded together to offset the purchasing and marketing clout of the giants.*

During the past decade the rise of national restaurant chains spawned a need for larger distributors that could provide the coast-to-coast consistency those operators demand. The largest distributors were eager to pursue the big dollars such multiunit accounts represented. But to service such customers adequately, the distributors needed greater geographic penetration and the inherent buying clout and cost efficiencies that accompany such penetration.

"It's important in servicing the chain business that you can provide the same look throughout the country," says Dean Nelson, president of Kraft Foodservice. "Once you've got the coverage, you need a minimum size, enough mass in the marketplace, to get the economies of scale."

In recent years Kraft and other giant distributors have turned to acquisition for rapid, efficient growth. Between 1982 and 1987, the big five superdistributors—Sysco, Kraft, CFS Continental, PYA/Monarch, and Rykoff-Sexton—collectively acquired 89 distribution companies, according to Technomic Inc., the Chicago-based consulting and research concern.

During the same period those superdistributors grew at a compound rate of 21 percent per year, but two-thirds of the growth was a result of acquisitions, Technomic notes.

And except for No. 2 Kraft, which has taken a breather from the acquistion game in recent months as it absorbs the numerous companies it has purchased, the trend shows little sign of letting up.

In a blockbuster deal announced recently, market leader Sysco has agreed to purchase No. 3 CFS Continental for $700 million. If completed, the merger will create a distribution giant with annual sales approaching the $7 billion mark.

"[Acquisitions] will continue for the next 10 years," says analyst James Murren of C.J. Lawrence, N.Y. "It's cheaper to acquire market share than to build it. There's only so much growth you can eke out from existing accounts.

"It's much easier to merge in this industry than in the restaurant industry because you're buying

*(See **MEGA-DISTRIBUTORS**, page F24)*

# Sea fare warfare

## Purveyors tackle seafood segment

**By Jack Hayes**

ATLANTA — Major multiline food-service distributors, hearing tales of treasure in grilled salmon, blackened tuna, and marinated mahi-mahi, are steering their ships for a high-seas confrontation with the nation's established fresh and frozen fish independents.

In what may become the fiercest campaign of the salty seafood wars, fighting will soon shift from the restaurant segment, where it has been raging for several years, to the wholesale niche, where key firms are eager to get their nets around long-neglected profits.

Operators will be baited with sharper pricing, broader service, and boatloads of new seafood product as the battling gets under way. But wholesale profits and a lot of ships are certain to go down before it's finally over.

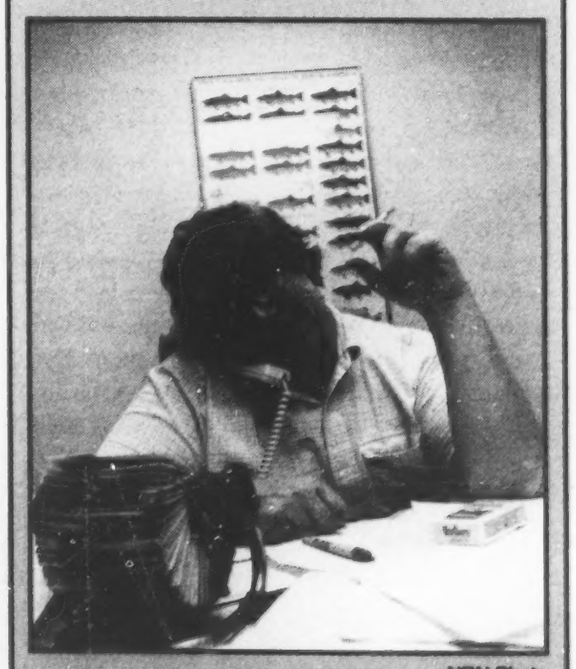
The reason? Seafood, like fresh meat and produce, is a specialized category that defies commodity-style management. With supply as unpredictable as the weather—and shelf life limited to seven days for most species—competitors are forced to learn a whole new language of distribution.

"It's the world's most perishable product," groans Joel Knox, president of Atlanta-based Inland Seafood, which ships nearly 100,000 pounds of fish a week to restaurants and food stores in his region. "It's not just something you buy and throw in a plastic tub," he adds.

At the same time, a specialist like Knox, who supplies every operator here from Red Lobster to the Ritz-Carlton—is confounded by the fact that he can't predict next week's inventory or its cost per pound.

"I can read stockyard reports and guess the price of beef in six months," suggests Knox, a former restaurant critic who launched In-

*(See **SEAFOOD**, page F24)*



NRN Photo

**Joel Knox**
*Inland's president*

# FOCUS | COVER STORY

## SEAFOOD DRAWS PURVEYORS

*(Continued from page F21)*

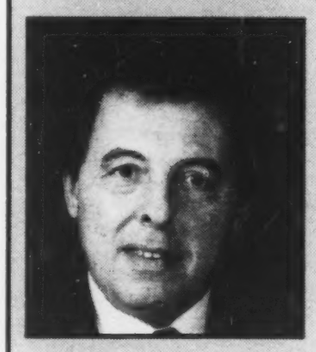
land 12 years ago because he couldn't find fresh fish in Atlanta. "But I can't guess the price of salmon from one week to the next," he adds.

Making matters worse, the market response to changes in fish pricing is still as unpredictable as the pricing itself. "It's a textbook example of supply and demand," laments an East Coast sales representative who sells frozen fish to fast-food and dinner-house chains. "It's getting more competitive every day," he says.

Thank goodness for substitute species like tile fish out of South Carolina and king clip from the South Pacific, adds this wholesaler, who saw his tonnage quotas threatened last year by what he describes as "true price resistance."

"Every Tom, Dick, and Harry are getting into it [the seafood distribution business], but they're going to find out that if you don't love fish, it's a stinky way of life," Knox threatens. "Are you ready for two different kinds of ice?" he asks future competitors.

Still, there's a lot of profitable fish coming out of the sea, according to the National Fisheries Institute, a Washington, D. C., trade group representing 1,100 seafood brokers, importers, distributors, and packing houses.



**Mitsakopoulos**

Based on the NFI's latest reports, Americans broke their seafood consumption record again in 1987, spending 17 percent more for fish and seafood products than they did in the previous year. Total consumption had climbed to a whopping 3.5 billion pounds last year.

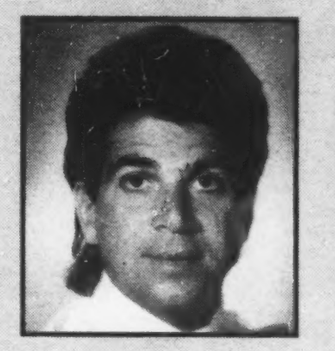
That news, together with reports of steady seafood menu growth, tells multiline distributors that specialty fish wholesalers are plundering the market pirate-style. Thus, they want more of the action.

Stan Deck, frozen merchandising manager with Hardin's-Sysco Foods, a unit of Houston-based Sysco, is among that covetous lot. While seafood sales have increased 25 percent to 30 percent a year at Hardin's against an overall growth rate of 15 percent, Deck promises, "We're going into fresh seafood sometime this calendar year."

Despite the added challenge for shipping, the greater potential for spoilage, and the possible damage to other products, Deck likes seafood. While the distributor did only 4 percent of its business in the category five years ago, seafood today represents 9 percent of Hardin's $152 million volume.

"It's low margin but high ticket," Deck reminds, adding, "Seafood wouldn't happen if we didn't think it would make us money."

Still, seafood distribution is populated by stubborn local and regional independents, many of whom were in the business before it became a hot sideline with interesting profit potential. They understand seafood is more than just inventory and delivery.



**Buschmohle**

"It's processing," says Jack Mitsakopoulos, president of Chicago Fish House, a $70 million Midwestern specialist that is considered to be one of the nation's largest independents. He says four or five majors are selling frozen fish in his market already.

Admitting that more major players will eventually get into fresh seafood, Mitsakopoulos says multiline distributors are eyeballing it as a logical step beyond produce and meat. What they don't see, he warns, is the labor intensity.

"With fresh whole fish, you've got heading, scaling, filleting, sometimes gutting," Mitsakopoulos says. "It's a bit more involved than boxed beef," he adds, suggesting the independents' strong suit is their specialization.

If nothing else, the increasing wholesale competition has created greater assortments of seafood for restaurant operators. Jonathan Landeen, executive chef at The Solarium in Phoenix, Ariz., says he's using three suppliers to target different seafood species.

"One ships out of Mexico, another out of both coasts, New Zealand, and Hawaii, and a third gives us shellfish," says Landeen, who competed in the American Seafood Challenge in Charleston, S.C., this spring. "On a 15-pound order, I've got plenty of choice," he adds.

Landlocked markets like Phoenix are accessing more fresh seafood for another important reason—air transportation. In fact, airlines have strengthened the role of coastal purveyers or fishing boat agents, who ship direct to many restaurants at prices below what local market distributors may charge.

Richard Peake, culinary director for Gilbert/Robinson's seafood restaurant division, which includes 10 operations under the Bristol, Devon, Chequers, and Hogate's names, uses that kind of buying arrangement.

"They guarantee the top of the trip," says Peake, whose Bristol Bar & Grill in Kansas City, Mo., was named one of the eight best seafood restaurants in the country by "USA Today." Each restaurant manager, he says, orders individually, based on food inventories taken twice a day.

The difficult side of such relationships, operators warn, is protecting freshness and quality. While it's one thing to send an unacceptable truck order back to the local seafood wholesaler, air shipments are a fish of a different flavor.

"The rapport has to be there," says Greg Buschmohle, who heads up the 17-unit L&N Seafood Grill, a division of Morrison's Specialty Restaurants. L&N managers, he says, attach to each seafood invoice a report card that says the shipment was inspected according to quality and freshness specifications.

"It's a checks and balance system," explains Buschmohle, whose operation buys $300,000 worth of fresh seafood a month from three direct suppliers in Pompano Beach, Fla., and Boston.

## Red Lobster ships namesake by plane

**By Jack Hayes**

ATLANTA — If it weren't for the airplane, how many Maine lobsters would reach their restaurant destinations alive?

Not many, admits Red Lobster vice president Dick Monroe.

The more than 400 of the chain's restaurants offer live Maine lobster and eight to 12 other fresh species a day. To get the shellfish there from four central seafood distribution points in Boston, Seattle, Chicago, and Pinellas, Fla., Red Lobster ships via air. The rest of Red Lobster's product is shipped by truck through the Martin Brower system, which is also the major distributor for McDonald's.

"Our largest-selling category is fresh fish," says Monroe, whose company bought in excess of 50 million pounds of seafood last year.

"Shrimp from Thailand would go to Seattle, but a large quantity from Ecuador might go to three of the four main hubs," Monroe explains. "It's difficult to say, since Red Lobster buys from 32 countries."

As far as air freight packages are concerned, they're just another box to Red Lobster.

"They don't require any special handling," Monroe says. "They're sealed water tight and cooled with dry ice. Managers are trained to check them with a thermometer. If they're over 40 degrees, no good!"

Craig Drum, Eastern region manager with Delta Air Lines, agrees seafood is an important carriage item even if Delta doesn't ship for Red Lobster. "In 1987 we moved over 40 million pounds of seafood," he boasts.

"When it leaves Louisiana in the morning and a Midwest restaurant has it on the table that afternoon, you know it's fresh product," adds Drum, who admits that 65 percent of Delta's air cargo business out of Boston is seafood.

In fact, Delta's seafood rates are lower than its regular freight rates. The company charges $21 per 100 pounds plus 5-percent federal tax. There's a $30 minimum charge for air cargo, however.

"All of our East Coast stuff is flown in," says Michael Dubin, seafood buyer for Goldberg and Solovy Foods Inc. in Vernon, Calif. "But we also fly seafood in from New Zealand and Hawaii."

"The airlines have become a big player for us," admits Richard Peake, culinary director for Gilbert/Robinson's seafood restaurant division. "We order on Tuesday, and the fish are in the next morning."

## MEGA-DISTRIBUTORS GROW

*(Continued from page F21)*

accounts, sales forces, and capacity."

Consolidation is rocking distribution at the regional level as well as the national level as distributors position themselves to service regional chains.

"I think we're going to see a continual wave of acquisitions," says Ron Paul, president of Technomic. "And there's another whole group of acquisition candidates, as second-tier distributors expand into regional markets."

"Regional consolidation is growing," Murren notes. "It's just not as publicized because most of the companies are private."

The effect of all of this activity on restaurant operators remains unclear.

"Ultimately, there should be payoffs to operators as distributors develop more operator-oriented services," Paul says. "And because of the cost efficiencies, the prices from majors may be equal or less. But it's still a local business, and the changes so far haven't been that dramatic."

"The impact for good or ill isn't really there one way or another," says Gilbert Kretzer, executive director of the International Foodservice Distributors Association. "If there's an impact on operators, it will be to the benefit of large, national fast-food chains."

Clearly, small and medium-sized distributors dominate the marketplace, but the emergence of the distribution Goliaths has spurred significant changes.

Buying groups of independent distributors have grown to sizes that rival the superdistributors in sales volume. ComSource, which is the combination of North American Foodservice Companies and Nifda, two groups that merged last year, boasts a combined membership volume of about $6 billion.

"In essence, ComSource pulls together the buying power of the independents and allows them to compete," says Dan Geisheidle, chairman of ComSource's executive committee.

As the structure of the distribution industry has evolved, restaurateurs have been the benefactors, Geisheidle explains. "The amount of sophistication that has come into this business has been a benefit to operators throughout the country; the whole level of sophistication has been raised," he says. But ultimately service at the local level is the prime concern of most operators.

"Operators still have to eyeball the local guy," Geisheidle says. "The ability to offer good service gets back to the local basis. You don't mandate service nationally."

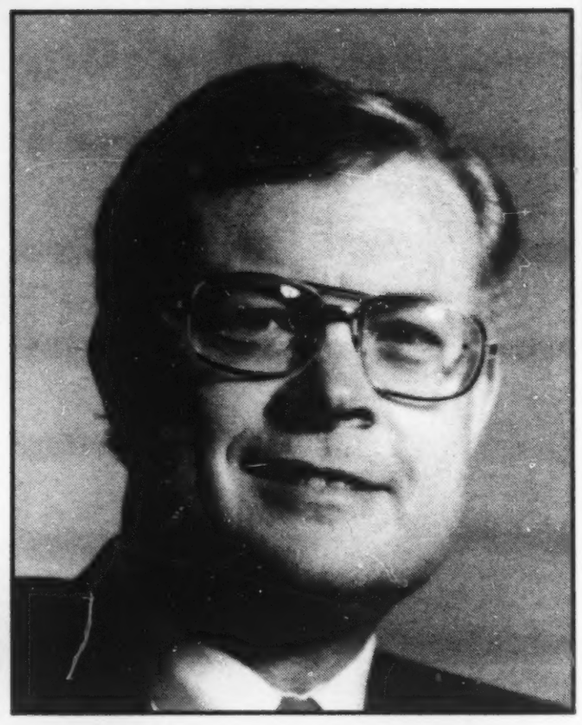
Kretzer concurs. "Even with all the acquisitions, distribution is still a local business. Market by market there are

*(See **MEGA-DISTRIBUTORS**, page F26)*

# FOCUS | COVER STORY

Left: A Proficient Food Co. supply truck.

Below: Brock Partin, head of Proficient Food Co., the supply arm of Denny's Inc.



# CHAINS FACE THE NEW AGE FOR IN-HOUSE DISTRIBUTION

By Richard Martin

LOS ANGELES — Winds of change are blowing through the world of chain-owned distribution subsidiaries, forcing restaurant companies to reconsider whether their supply divisions are assets to be nurtured or liabilities to be jettisoned.

As the biggest of the in-house distributors get bigger—or fall harder—others in the field either stagnate and are sold off or become more efficient and prosper, often through manufacturing specialization.

Enhanced restaurant operating efficiencies, more predictable levels of quality assurance, and commodity cost containment remain the prime reasons for chains that own their own distribution companies to persevere in a demanding, distracting, and usually profit-lean field.

But the unique rigors of distribution can sometimes cause companies to stumble under complex "vertical integration." Analysts say Burger King's supply sister, Miami-based Distron, has embarrassed parent Pillsbury through inept expansion that led to rising costs, mass defections from Distron's supposedly "captive" market, and estimated 1987 distribution-arm losses of $10 million.

In recent years the divisive obligation to simultaneously feed two masters—restaurant patrons and the supply-dependent restaurants themselves—has driven several "integrated" chains to sell their supply divisions to well-entrenched specialists in the mainstream distribution sector.

However, other chains that have mulled over such divestitures remain committed to in-house distribution arms that pull their weight and fulfill service objectives. Among those outfits is the far-flung Denny's chain, which launched its supply arm in an era when nationwide restaurant companies often regarded the mainstream distribution industry as too immature to accommodate their special needs.

Some chains are more than satisfied with their in-house distribution companies and regard them as growth vehicles.

The most savvy of the chain-owned manufacturer-distributors—analysts point to Wyatt Cafeterias' StarMark division as one such outfit—yield substantial food-and-freight cost savings that show up as sizable percentages of their parent chains' bottom line.

Strength in the in-house supply business is also evident in, for instance, the ability of the Hardee's distribution arm, Fast Food Merchandisers, to enhance that chain's growth while racking up some $550 million in annual distribution sales.

Conversely, Collins Foods International of Los Angeles and Morrison Inc. of Mobile, Ala., are two diversified restaurant outfits that recently sold their vast distribution divisions. Those subsidiaries were diverting resources from restaurant operations and sometimes straining relations with franchisees.

*The unique rigors of distribution can cause companies to stumble under 'vertical integration.'*

"When you're trying to get franchisees [of the Collins-owned Sizzler chain] to cut fresh meat and use fresh fish, you don't also want to be apologizing for late deliveries," says Collins chief executive Dick Bermingham.

He also wanted to narrow the chain's human-resources focus to restaurant operations people, who provide "transferability" potential that isn't shared with managers who specialize in warehousing and routing.

Whether companies keep their distribution divisions or sell them off may "all depend on [a chain's] distribution patterns and the relative strengths of [distribution division] management," explains Brock Partin, head of Proficient Food Co., the Denny's Inc. supply arm that has survived at least four proposed spin-offs.

Mirroring the mainstream distribution industry that is dominated by such giants as Sysco, Kraft, and Rykoff-Sexton, the specialized supply field run by vertically integrated restaurant companies is witness to both shakeout and consolidation.

One example of consolidation is Pepsico's merger of its Taco Bell and Pizza Hut distribution systems. Under the new umbrella of Pepsico Food Systems Inc. in Dallas, the combined operations are preparing to consolidate their "one-stop-shopping" operations even further.

In a large-scale test in the Southeast, PFSI is squeezing chicken

*(See **CHAIN-OWNED**, page F30)*

# MEGA-DISTRIBUTORS GROW

*(Continued from page F24)*

some very sophisticated independent distributors who offer top-notch service."

Nonetheless, the full-line distributors do offer advantages. For instance, an operator may reduce the time he spends ordering and receiving by using a single vendor instead of a dozen distributors.

"A restaurant operator's life is made much easier by having a full-line distributor come to his door once a week with everything he needs," Murren said. "It's a one-stop shop, a great operational advantage."

In some cases size may open opportunities to take service to a higher level. Many distributors now provide menu planning, merchandising, quality control, and inventory control help to customers.

"As we've grown larger and added more products and capabilities, we've been able to offer a higher level of service," says Kraft's Nelson. "It's allowed us to move up the learning curve faster. We marry what we're doing well with what the companies we acquire are doing well."

One program that Kraft pioneered is a computerized system that links operators directly to the company. The system, named Kraft Link, allows customers to access price lists and product information and to place orders from their establishments. A second phase of the program provides software that helps the restaurateur manage his operation.

Currently, more than 200 customers utilize the Kraft Link system.

A computerized vehicle scheduling program, which will include computers on delivery trucks, will soon be in place to enhance the efficiency of deliveries.

Sysco also offers menu planning, merchandising, and many other operator programs.

"We do anything that will help our customer's business," says Sysco executive vice president James Lowrey. "Some of the companies emerging during consolidation are providing a wider range of services. We're all learning how to better meet the needs of our customers."

FOCUS | NRA

# Sandwich shops to lead the pack in growth

**By Bill Carlino**

WASHINGTON — For the second year in a row, sandwich shop chains will grow faster, in both sales and number of stores, than any other category of franchise restaurant.

Based on figures chronicled in "Franchising in the Economy," an annual report prepared by the Finance and Management Division of the U.S. Department of Commerce, 1988 sandwich shop sales are expected to vault past the $1 billion mark for the first time—the highest increase in the industry, 31 percent higher than the 1987 figures.

"With a national trend toward more healthful eating, lighter fare like sandwiches will be in demand—particularly for lunch," says Andrew Kostecka, author of the report. "Sandwich shops appear to be one of the prime growth markets for prospective restaurant franchisors."

Total units for sandwich shop franchises will approach 5,000—a 28.8-percent jump from the previous-year figure.

The survey, compiled from 2,117 franchisor responses, including 488 restaurant firms, represents 99 percent of sales and establishment totals for the franchise industry in the United States.

If early 1988 figures continue their current pattern, estimated sales for restaurant franchise firms will reach $63.2 billion, an 11-percent hike from the 1987 results, and the category will rank third behind automobile dealerships and gas stations. Restaurant franchise units are staring at 6-percent growth of 90,000, a rate second only to that of service stations.

"There's been some talk about market saturation in restaurant franchising," Kostecka says. "But the restaurant franchise industry continues to grow, creating a vacuum for independents.

"We're seeing a slow decline in the traditional mom-and-pop operations," he says.

"The fastest growth by far in the entire franchise industry is in the service sector," Kostecka continues. "Company-owned franchises are dwindling as stores run by franchisees have assumed the majority of total sales and the highest percentage of units."

Of the more than 90,000 franchise units expected to be in operation this year, 64,000, or 70 percent, will be operated solely by franchisees. Franchisee-owned units will ring up $41 billion, or about two-thirds of the $63 billion in projected sales.

As one of the pioneering concepts in restaurant franchising, hamburger and roast beef stores continue to pace the industry in both total sales and operating units.

Sales from the 111 franchising companies with menus structured around hamburgers and roast beef will rise to just shy of $30 billion—nearly half of all restaurant franchises sales in 1988 and an increase of 10.1 percent over the 1987 figure.

Accounting for nearly 40 percent of all restaurant franchise establishments, hamburger and roast beef franchise operating units will top 35,000, a 6.3-percent jump from the previous-year results.

With their higher check averages and table service format, steak and full-menu restaurants average nearly $1 million per unit, well ahead of the industry median of $696,000 in sales per store.

**SALES AND UNIT GROWTH**
(Annual percentage change)

| | Number of units | | Sales | |
|---|---|---|---|---|
| | 1987 | 1988* | 1987 | 1988* |
| Hamburger | 4.8% | 6.3 | 8.3% | 10.1% |
| Pizza | 9.3 | 12.2 | 8.9 | 12.6 |
| Chicken | 4.7 | 5.3 | 10.2 | 12.9 |
| Mexican | 6.2 | 8.2 | 6.6 | 8.6 |
| Seafood | 6.6 | 8.7 | 8.5 | 14.2 |
| Steak/Full Menu | 4.3 | 8.6 | 8.5 | 11.1 |
| Pancakes | 5.0 | 7.7 | 8.7 | 11.0 |
| Sandwich | 23.5 | 28.8 | 23.0 | 31.0 |
| TOTAL | 6.6 | 9.0 | 8.7 | 11.2 |

* Projection
Source: U.S. Department of Commerce

**SALES PER UNIT**

| | 1986 | 1987 | 1988* |
|---|---|---|---|
| Steak/Full Menu | $939,592 | $976,829 | $999,608 |
| Hamburger, Roast Beef | 798,403 | 825,202 | 854,560 |
| Pancake | 657,572 | 681,213 | 702,006 |
| Mexican | 647,868 | 650,535 | 652,911 |
| Seafood | 541,585 | 551,306 | 579,081 |
| Chicken | 487,876 | 513,426 | 550,425 |
| Pizza | 459,866 | 458,103 | 459,645 |
| Sandwich | 253,556 | 252,462 | 257,051 |

Source: U.S. Department of Commerce

**1988 SALES PER CATEGORY**

| | $ Billions | Percentage Change |
|---|---|---|
| Hamburger/Roast Beef | 30.0 | 10.1% |
| Steak/Full menu | 10.9 | 11.1 |
| Pizza | 9.2 | 12.6 |
| Chicken | 5.4 | 12.9 |
| Mexican | 3.3 | 8.6 |
| Seafood | 1.7 | 14.2 |
| Pancake | 1.5 | 11.0 |
| Sandwich | 1.3 | 31.0 |

Source: U.S. Department of Commerce

For the fourth year, Mexican food and pizza franchises are leading the ethnic food category.

Pizza franchise sales, which increased 25.6 percent and 20.4 percent in 1985 and 1986, appear promising enough to return to double digits with 12.6 percent, following an 8.9-percent climb in 1987. Pizza franchises account for 21 percent of all franchised restaurants.

Mexican food sales will level off somewhat, with a projected 8.6-percent increase in 1988, after skyrocketing 20.4 percent in 1986.

Aligning with the national trend toward more healthful eating, seafood franchise sales are experiencing a 14.2-percent sales increase over 1987 figures and an 8.9-percent growth in number of units.

Even food retailing from outside franchises is on the rise in 1988.

Not surveyed were food sales from the following speciality franchise shops: ice cream stores, coffee services, doughnut shops, bakeries, cookie shops, candy stores, and nut shops. They are expected to spill over $12 billion dollars, an increase of 9.1 percent since 1987.

Sales of food items from convenience stores are matching the 9-percent jump of the specialty shops. Food sales from convenience stores are expected to land in the neighborhood of $2.3 billion in 1988.

Of the 488 restaurant franchises surveyed, currently 174 have table service, while 314 are drive-thru. Of the 314 franchises that feature drive-thru or double drive-thru, 102 are hamburger or roast beef units.

"We haven't really seen much of a change in the format of service," says Kostecka. "However, in addition to obvious increases in sales and units, the restaurant franchise industry is leaning toward home delivery service and take-out. Even in some of the fancier private establishments and franchises that were not surveyed—like Chinese food."

Restaurant franchise firms with 1,000 or more units account for approximately 60 percent of sales and units. However, restaurant firms with 50 or less units account for more than 70 percent of total restaurant franchise companies.

In 1988, restaurants will rank first in total franchise employment for the third straight year, with 2.7 million workers. That figure represents nearly 40 percent of all employees in eating establishments.

California, Texas, Ohio, and Florida house the largest concentration of restaurant franchise units, with 33 percent of the U.S. total, while Texas boasts the highest individual number, 7,237 units, outdistancing second-place Ohio by 3,000 stores.

Internationally, hamburger restaurants accounted for more than half the international restaurant franchise units, followed by chicken with 30 percent. The greatest percentage of U.S. restaurants are located in Canada, with 28 percent, and Japan, 23 percent.

"There is a push with some of the bigger franchise chains, hamburgers in particular, toward international franchising," Kostecka says. "Expansion is not thought of on a national basis anymore, but globally."

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NEWSPAPER

**Specialty distributors develop market niche**

Focus section follows page 26

**Frying fat … filtering, cl…**

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# Calif. wage hike sparks layoffs

**By Richard Martin**

SACRAMENTO, Calif. — California restaurateurs, stung by the July 1 enactment of a new $4.25 minimum wage and worried about the uncertain legal status of a "subminimum" scale for tipped employees, have begun laying off workers and raising prices to mitigate soaring operating costs.

Owners are resorting to a variety of overhead reduction measures amid growing fears that drought-related commodity inflation will soon compound price hikes by California distributors responding to their own inflated labor costs.

Officials of the California Restaurant Association said the situation could be worse for rural restaurant operators, who may have greater difficulties than their urban counterparts in passing the labor-cost increases along to less affluent customers.

The CRA said some members have reacted to the state's 27-percent increase in the bottom-tier wage by eliminating marginally profitable shifts, by purchasing prepared produce that allows them to trim kitchen staffs, and by laying off buspersons and turning their chores over to servers.

"The operators we've talked to are very emotional—their profit margins are slip-

*(See **WAGE**, page 66)*

**Calif. operators turn to subminimum wage**

Restaurants to pay $3.50 per hour pending state Supreme Court decision

Page 66

NRN Photo

**A Houston Fajita Junction sports a double-drive-thru.**

## *Fajita Junction brings fajitas to fast-food lane*

**By Tracey Taylor Woodard**

HOUSTON — Fajita Junction is joining Two Pesos and Taco Cabana in a rapidly expanding field of regional Mexican fast-food chains, with two major differences: Fajita Junction specializes in fajitas, and it does so in a much smaller space.

"We sell fajitas from a box," said Buzz Roman, former Church's Fried Chicken chief executive officer who is acting as mentor for two other former Church's executives running the Fajita Junction operation.

"We've taken a taco menu and put it in a Church's-style unit," he said of the San Antonio-based fajita chain's signature scaled-down stores.

An average Fajita Junction unit measures 1,240 square feet and seats 42. An even smaller version is a double-drive-thru with 340 square feet and only 16 seats.

And Fajita Junction already has the main competition beat in numbers alone.

Chili's Inc.'s Taco Cabana, the granddaddy of the trio, was found-

*(See **FAJITA**, page 66)*

**Fajita units skirting price hikes**

Operators seek substitutes for skirt steak

Page 3

# Triple whammy sends chicken prices soaring

## *One reason: new sandwiches at fast feeders*

**By Rick Van Warner**

A surprise 1-2-3 punch—sudden new demand from fast-food restaurants, slowed production, and now the drought—is sending chicken prices soaring and forcing food-service operators to face some tough decisions.

"It's totally unexpected, a significant hit on our bottom line," said David Bennett, chief executive of 69-unit Kentucky Fried Chicken franchisee Morgan's Foods, noting that food costs have increased between 1 and 2 percentage points. "We're probably going to have to pass it on by raising prices."

Wholesale chicken prices are up about 50 percent from year-ago levels and have more than doubled in the past six months. The price of boneless chicken breasts has shot up even faster, from about $1.80 per pound this spring to nearly $2.80 per pound recently.

Although the hot and dry weather plaguing much of the nation hasn't been killing off flocks, the rising cost of grain to feed the birds is curbing already low levels of production.

"The feed situation will probably keep the lid on producer expansion plans," said

*(See **CHICKEN**, page 66)*

# H&H finally finds Bojangles' buyer

**By Rick Van Warner**

GREENVILLE, S.C. — Ending a two-year search for a buyer, Horn & Hardart Co. has agreed to sell its Bojangles' chicken and biscuits chain to Carabo Inc. for $20 million.

Privately held Carabo, which is the largest Bojangles' franchise, with 21 restaurants, will pay $16 million in cash and $4 million in a senior subordinated note for the Bojangles' name, 39 company-owned restaurants, and the franchising system, which includes a total of 148 restaurants.

"When Horn & Hardart committed to divest itself of Bojangles', we obviously had a tremendous stake in what was going on," said Carabo chief executive William Webster here. "We're already very deeply committed to the concept. It made sense to make the next move and control our own destiny."

Horn & Hardart executives could not be

*(See **H&H**, page 66)*

**FOOD WATCH**

## *A very ice dessert*

ATLANTA — Italian ice, a popular sidewalk dessert in the ethnic Northeast, is sweetening a new generation of taste buds in this Sunbelt capital.

Tiny Mama's Pizza in the north suburbs is moving 50 barrels of homemade Italian ice a week, only two months after introducing the product here. In fact, nine-year-old Mama's has begun supplying other suburban restaurants—Bronx Deli, New York Pizza Exchange, Candy Co., and Caproni's.

Lemon, cherry, and chocolate are the favorite flavors, said Mama's Marcy Ross, who guarantees 50 double scoops in each 2.5-gallon barrel.

—Jack Hayes

BERNSTEIN ON FAMILY DINNER HOUSES — Page F3

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July 18, 1988

# NEWS DIGEST

## RMS, Shoney's franchise, agrees to management LBO

MACON, Ga. — Restaurant Management Services Inc., a Shoney's franchise here, has agreed to be acquired by a management-led group for $45.6 million.

The leveraged-buyout group does not include Robert Sinclair, founder and chairman of Restaurant Management, which operates 30 Shoney's restaurants, 12 Captain D's, and four Lee's Famous Recipe units.

A previous buyout attempt by management fell through when the group failed to secure financing.

## Taco Tico sold to group led by former Gatti's owner

WICHITA, Kan. — Taco Tico Inc., a 115-unit Mexican fast-food chain based here, has been sold by founders Daniel and Robin Foley to an investor group for an undisclosed sum.

The investors are headed by George Baker, a former owner of Mr. Gatti's Inc., and Gene Smith, a Louisville, Ky., banker.

## Maxwell's Plum closes because of slow sales

NEW YORK — Maxwell's Plum, the singles-oriented restaurant and bar that typified the freewheeling culture of New York's East Side in the 1960s, has closed as a result of low sales and a rapid turnover of chefs.

The 22-year-old place's annual sales had dipped to $4 million, or roughly one-fourth of the amount posted during its heyday.

Warner LeRoy, the restaurant's flamboyant owner-operator, has changed chefs four times in the last three years in an attempt to breathe new life into what was once a celebrity hangout.

## Cincinnati Arby's franchise sold to local businessmen

CINCINNATI — Thomas and David Lance have agreed to sell Restaurant Management Inc., a 33-unit Arby's franchise here, to an investment group led by local businessmen Mercer Reynolds and William DeWitt Jr.

The price was not disclosed.

Restaurant Management's new owners plan to bolster Arby's presence here by developing more units, said a spokesman for Reynolds and DeWitt.

## Feds arrest 12 inspectors for alleged extortion

NEW YORK — Federal agents here have collared 12 more municipal health inspectors for allegedly extorting hundreds of thousands of dollars from restaurants by threatening to close or cite the places for sanitation violations.

Three consultants—David Black, Elissa Ruth Cohen, and Astley A. Campbell—were also arrested in the sweep. U.S. officials accused the trio of acting as bagmen, collecting the money from restaurants and delivering it to inspectors.

The roundup follows the April arrests of 28 other health inspectors who allegedly shook down restaurants for amounts ranging from $25 to $5,000. Hundreds of restaurants have been victimized by the corrupt inspectors "for decades," federal officials said.

## El Pollo Asado tests Mexican cafe concept

PHOENIX, Ariz. — Following a year of heavy losses, El Pollo Asado Inc., the 50-unit fast-food grilled chicken chain based here, has spun off a new concept that features a Mexican menu and increased service.

Two El Pollo Asado Mexican Cafes already in operation here are performing at twice the sales volume of the units they replaced, said Ronald Paradis, Asado's executive vice president and chief financial officer.

The new concept sports self-service drink and salsa bars and serves wine, beer, and margaritas. Guests no longer pick up their orders at the counter but are served at tables.

## McD doubles sales test of McChicken sandwich

OAK BROOK, Ill. — McDonald's has doubled the number of units participating in sales trials of the chain's McChicken sandwich, fostering speculation that the item may be the next addition to the fast-food giant's menu.

The sandwich is made with a deep-fried chicken fillet encased in a coating that reportedly absorbs less oil than do traditional breadings and hence renders the sandwich lower in calories and cholesterol.

The item, which is now available in more than 400 of McDonald's 7,600 domestic stores, replaces an earlier McChicken test product that was grilled rather than deep-fried.

## Midway seeks to replace Gin as in-flight caterer

CHICAGO — Midway Airlines is seeking to replace its in-flight caterer, local entrepreneur Sue Ling Gin, with Dobbs International Services Inc., the nation's second-largest airline feeder.

Midway spokesmen said they were considering a change of caterers for economic reasons. Gin, who also operates two local restaurants, Cafe Bernard and Halsted Street Fish Market, could not be reached for comment.

## Wendy's launches new national ad campaign

DUBLIN, Ohio — Wendy's has launched a national advertising campaign that focuses on drive-thru service and a new Express Pack packaged meal.

Meanwhile, the hamburger chain is preparing to enter into a joint promotion with Kellogg's, the cereal giant, and is advertising its SuperBar buffet in "a lot of local markets," said Charles Rath, Wendy's executive vice president of marketing.

In the newly launched network television commercials, a Wendy's customer waits in the drive-thru line, even though he is not in a car, to order the Express Pack.

The pack consists of a quarter-pound hamburger, french fries, and a soft drink.

## Little Caesars adds item adapted from new Pan! Pan!

FARMINGTON HILLS, Mich. — Little Caesars, the 2,350-unit take-out pizza chain, has added a sliced pizza product called Baby Pan! Pan!—a scaled-down version of the system's new Pan! Pan! deep-dish pie.

A Baby Pan! Pan! order consists of two square Pan! Pan! slices sold for the price of one piece, according to Little Caesars.

## Houston's Vallone eyes third Italian restaurant

HOUSTON — Tony Vallone, operator of the landmark Tony's and Anthony's Italian restaurants here, is developing a new local place that will feature the seafood specialties of Naples, Italy.

The restaurant, which is to be housed in a former supermarket in Highland Village, will feature grilled fish and other Neapolitan specialties, Vallone has indicated.

## White Castle, Krystal turn to breakfast items

COLUMBUS, Ohio — The fast-food segment's two miniature-hamburger specialists, White Castle and Krystal, are turning to breakfast sandwiches in their bids to invigorate sales.

White Castle recently introduced two omelet sandwiches that sell for 99 cents—far more than the 39 cents charged for the regional fast feeder's signature square miniburger. The ham-and-cheese and Western omelet sandwiches resemble muffins and are heated in a device similar to a bun warmer.

Krystal, the Southeastern chain, is testing a 59-cent Sunriser breakfast sandwich, which consists of cheese, sausage, and egg.

MARKETING

# Bob Evans tops in field, surveyed consumers say

**By Bill Carlino**

Diners ranked Ohio-based Bob Evans first among family restaurants, while Western Steer and Stuart Anderson's were voted best steak house and dinner house respectively, according to a Consumer Reports magazine poll of 32 chain restaurants.

From May 1986 through April 1987 Consumer Reports surveyed 220,000 diners' opinions about the nation's largest family restaurant, steak-house, and dinner-house operations. For the majority of chains, rankings are based on more than 10,000 responses.

Restaurants were evaluated on a five-point scale, ranging from excellent to poor, in terms of the following criteria: taste, selection, service, atmosphere, cleanliness, value, and child accommodations. Response points were totaled to obtain an overall score.

Although the survey data are somewhat dated, marketing executives agree that the results may serve to influence or deter both the current and future customer core.

"I think the survey helps in the fact that customers who have not tried us will give it a shot," said Tammy Roberts, a representative for Bob Evans. The 204-unit, red-farmhouse-themed restaurants scored high marks for taste, cleanliness, and child accommodation. "For those who have eaten here, it just reinforces the fact that Bob Evans has good food."

Mike Brandon, public-relations director at Stuart Anderson's, concurred that a restaurant's future business may vary according to the CR survey results.

"Logically, if your restaurant scores very well in any type of survey, it can only help your business and the opposite is true if you receive a poor rating," Brandon said.

Orlando, Fla.-based York Restaurants was one operation bruised by the CR survey results. The 100-unit chain scored low in five categories, including taste, selection, and service, and just average in the remaining two.

"To abide by that survey, you have to recognize that since the time it was conducted, approximately one-half of our operation has changed," said Charles Tate, marketing director at York Restaurants. "Since the survey we have placed additional emphasis on service and our 'cooked to order' philosophy. We've also added a dinner buffet."

While the food at Bob Evans and Marie Callender's received high marks, survey respondents were not so pleased by the fare at Howard Johnson's, which was rated as the worst restaurant in terms of food of all 32 restaurants surveyed.

Since the survey, however, the Marriott Corp. has acquired Howard Johnson's.

"Ironically, at the time of the survey, we would have agreed with the findings," said Fritz von Ullmer, Ground Round marketing director. The 158-unit Ground Round ranked last among dinner houses.

"On the other hand, if you polled diners today," von Ullmer said, "the results would be very different. We've upgraded our operation in many respects. But fundamentally the survey's classifications are subjective.

"How can you lump the Ground Round with Chili's or Chi-Chi's and call them all dinner houses? They're so different."

As with any restaurant or food-service operation, cleanliness is an important factor in determining repeat business. While few chains were singled out as being exceptionally clean, Waffle House, International House of Pancakes, and Ponderosa bottomed out in the cleanliness category.

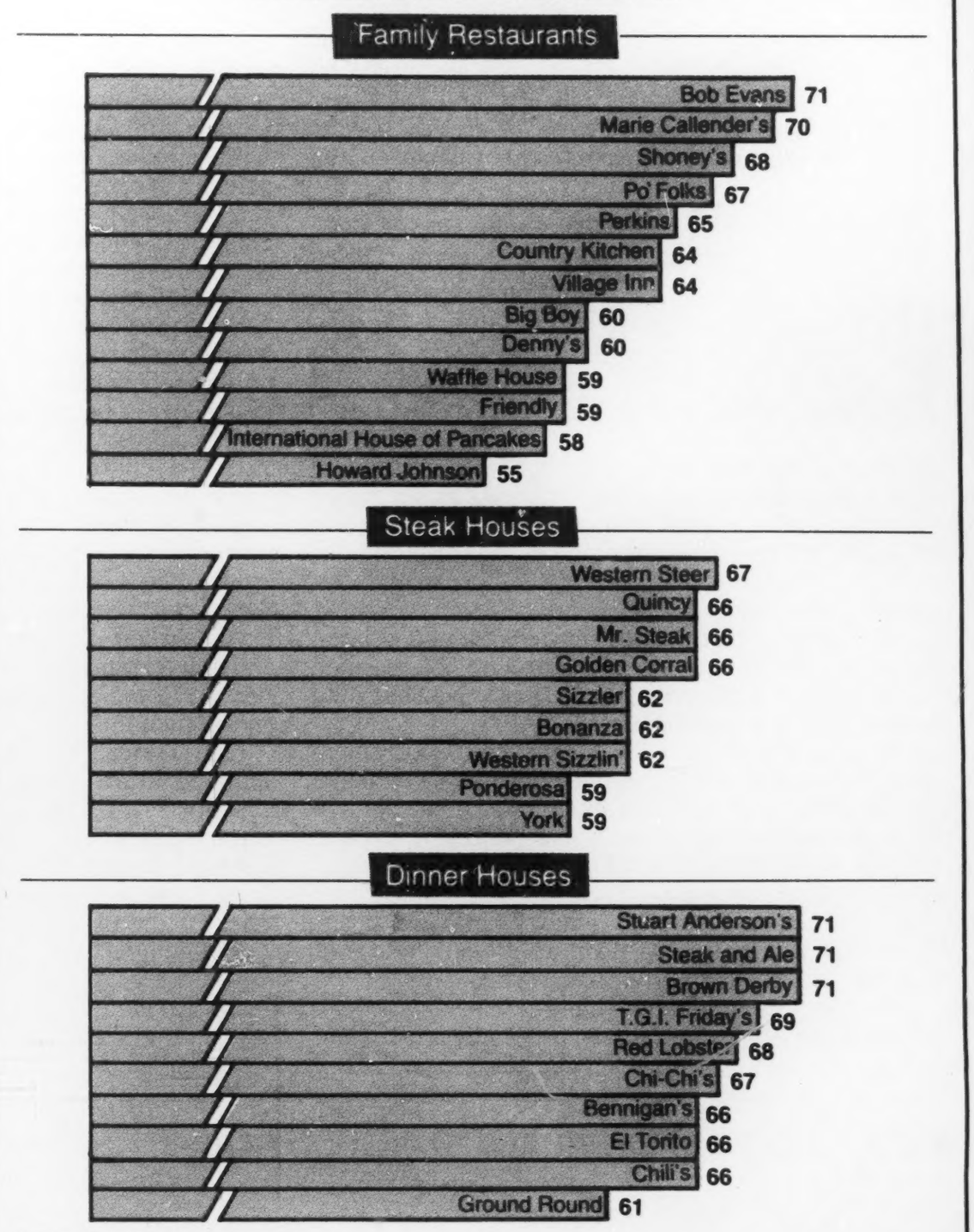
"No doubt the findings disturbed us," said Stephen Pettise, International House of Pancakes marketing vice president. "But too often diners confuse atmosphere with cleanliness. No matter how clean a restaurant is, if it looks old, somebody will perceive it as dirty.

"However, we've had 70 consecutive months of comparable store sales increases, and I doubt any of the surveyed chains can say that. So I don't think business trailed off a great deal."

Budget-minded diners singled out Nashville, Tenn.-based Po Folks as a good value while they viewed such dinner houses as Steak and Ale, T.G.I. Friday's, Red Lobster, and Bennigan's as high-priced.

**RESTAURANT CHAIN RATINGS**

Overall score is based on maximum of 100.




Source: Consumer Reports July 1988

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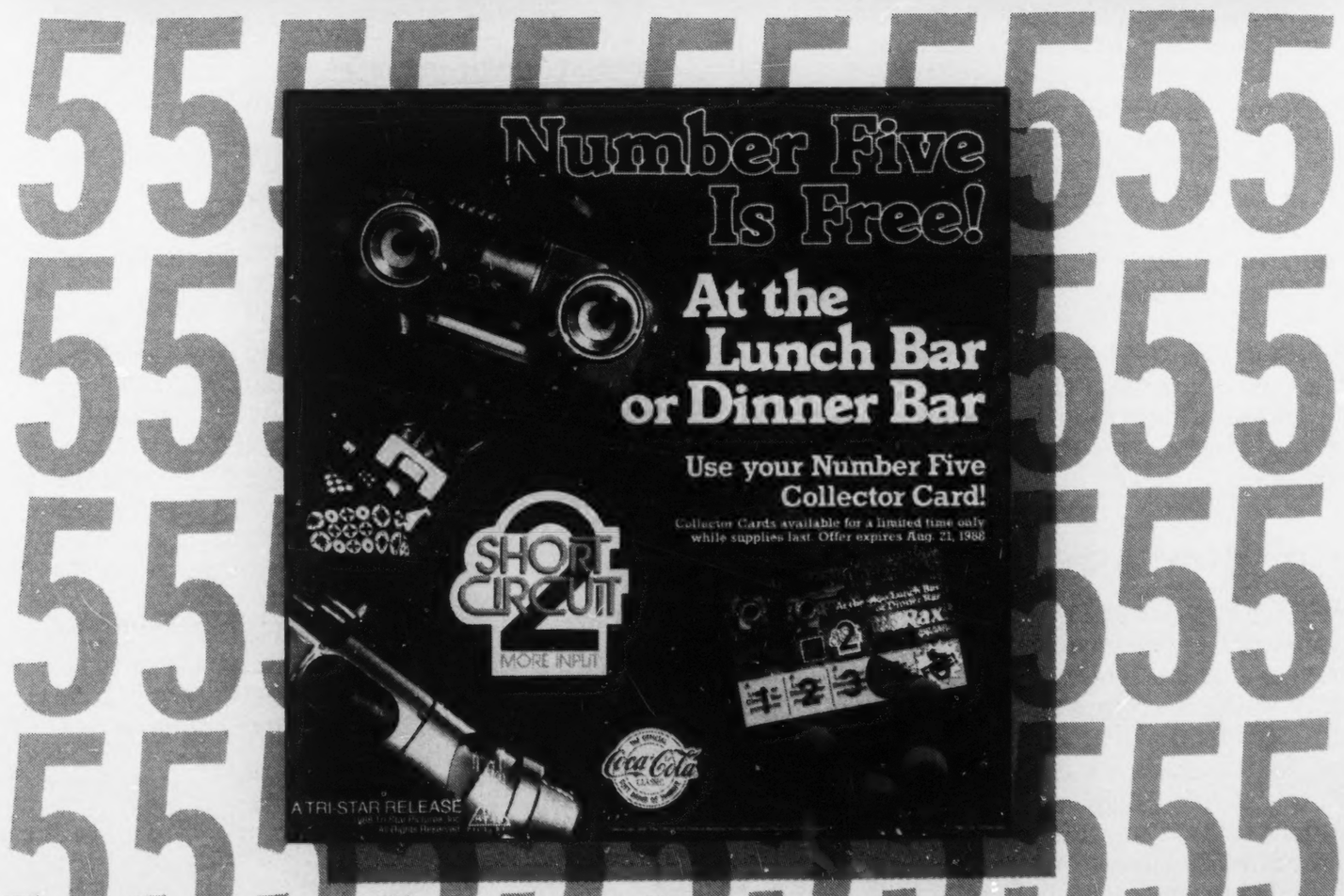
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*"AdWatch" submissions should be either proofs, prints, or stills of a new print, direct mail, or television advertisement for a restaurant or restaurant chain, with accompanying information on the responsible agency name, if any, and the media time and placement schedule. Submissions should be sent to: Marketing Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.*

NRN MARKETING DIGEST

## 'Hamburger A' campaign cops Clio

DUBLIN, Ohio, — Wendy's "Hamburger A" television campaign has received a Clio award—the advertising industry's equivalent of the Oscar.

The campaign's "dry food" episode was feted in the Clio Best Humor category. In the award-winning spot, the consumer chooses Hamburger B in lieu of the Wendy's hamburger because it appears dry and it reminds him of his mother's dry cooking. The 30-second spot initially aired last September.

The Wendy's "Hamburger A" campaign is the creation of the New York-based Backer, Spielvogel, and Bates agency.

## Hard Rock pub plugs menu

DALLAS — Hard Rock Times, a quarterly publication of the world-renowned Hard Rock Cafe, will supplement its club news updates and celebrity interviews with menu highlights from each of the 13 units around the world.

"We decided since the magazine was free to customers, it would lend itself to publicizing our various menu items," said executive editor Carla Peterson.

Beginning with the fall issue, Hard Rock Times is planning segment features on the chili and barbecue rib dishes of the New York and Los Angeles units.

## Radisson and Edy's twin for summer

MINNEAPOLIS — The food-and-beverage department of Radisson Hotel Corp. has teamed up with the manufacturer of a regionally popular ice cream to launch a treat-oriented summertime promotion.

Under the Grand Temptations program, Radisson hotels will feature desserts, snacks, and drinks made with Edy's ice cream, which Radisson terms a "cult favorite" in the West.

# FOCUS | VIEWPOINT

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# The winning touch: family dinner houses

In this period of uncertainty throughout the food-service business, it seems that no segment is immune from flat sales and traffic declines. Customer resistance is noticeable almost across-the-board, leading to the possible conclusion that economic factors are responsible for the overall softness.

But evidence suggests that saturation in each segment is actually the prime source of the problem. While the potential pie is larger, each operator's share of it tends to be smaller as chains probe for an edge in bitterly competitive markets.

Fast feeders, coffee shops, family restaurants, steak houses, cafeterias, dinner houses, and fine-dining establishments all face this same struggle to attract customers who are demanding more value and quality in each segment.

But one niche is emerging with force and maximum potential. It is not as crowded as other segments, but it is the most popular in the minds and hearts of customers.

Perhaps the reason this segment is still not mobbed with entrants—although it may become so when operators see the potential—is that it involves three precepts, each equally important in combination: value, family orientation, and service.

We can identify the niche as value-oriented dinner houses. Their average price per customer ranges from $7 to $12, and they appeal to families rather than to singles. This is the segment that lightning has struck; it shows steady traffic and profit rises.

Each of five chains in this segment has its own special product identification and thereby prevails over its competition. The fact that each offers some form of service and has a specialty promotes the price-value image in the customer's mind.

One of the lowest-priced of the five is Los Angeles-based Collins Foods' Sizzlers. Once budget steak houses, they have been repositioned to steak, seafood, and salad dinner houses with an average per-person check of $7.50. Combination steak and seafood dinners plus a wide-ranging self-service salad and tostada bar have propelled Sizzler to a prominent spot.

Another, in a similar price range, is Dallas-based Chili's. Here again, the menu has been widened to focus on hamburgers and Mexican items. But Chili's biggest asset is its service flexibility, which enables guests to complete a meal according to their preferences, anywhere from 15 minutes to one hour. That leads to customer satisfaction and more turns.

The Orlando-based General Mills restaurant group figures in two of the five concepts. Red Lobster is in a $9-to-$12 range and offers seafood at prices lower than those of the competition. It is not designed to compete with individualized local seafood houses, which may be priced in a $15-to-$20 range, but rather to offer reasonable quality at affordable prices for families.

General Mills now has implemented the same idea on the Italian dinner-house side with its Olive Garden restaurants, with similar prices, which are less than its competitors', such as Imasco's Grisanti's dinner houses and Jerrico's Florenz. Again, the Olive Garden competes only at the family restaurant level.

Finally, Dallas-based Tony Roma's Place for Ribs is well-positioned productwise and pricewise to continue soaring in its niche.

Each of the five chains is pegged to a family market—a departure from the singles push of the early 1980s. Some might place T.G.I. Friday's, Houlihan's, Bennigan's, and Houston's in a similar category. But they don't have the same family appeal.

Denver-based Le Peep, the signature breakfast chain, fits the winning formula with its upscale full-service breakfasts. But it is not open for dinner, and its appeal is thereby limited.

Detroit-based Charley's casual seafood dinner houses, which Richard Sikorski bought from the C.A. Muer Corp., may also qualify, but it is too early to tell. Its $10-to-$15-per-person check is higher than Red Lobster's, and it has only six units thus far.

In a recent Nation's Restaurant News-sponsored survey of consumer value perceptions, a cross-section of 1,000 persons polled indicated a willingness to pay almost double the price for the same type of food if the restaurant provided service and if it offered a more positive image. It is no wonder that operations of all types are trying to call themselves family restaurants.

Family-oriented dinner houses with genuine price-value are filling an ideal niche in the middle of the market—above coffee shops and below tablecloth restaurants. Lest operators everywhere try to copy the apparent winning formula, it should be remembered that each of these successful chains has developed its own nuances and individual personality.

## LETTERS

### *Time has come to cater to needs of employees*

Editor, NRN:

Your recent Editor's Corner comments about building a retention-based employee program are "right-on."

I think a program coupled with another need in this country can be quite productive. The other need is to teach economics to our young people—something they are not receiving in the public educational system. Consider the number of young people who work in entry-level fast food and you are considering a vast number of tomorrow's voters and leaders.

If there is a sin in the capitalist concept, it must be in the secrecy of the rewards to the capitalist-entrepreneur involved. This is particularly true when a profit-producing unit exceeds its reasonable profit-producing levels and produces excessive profits without rewards being passed back to those who do the work.

In the absence of information each worker is free to speculate on the profits made—and they often feel this is as high as 50 percent or more. Why not replace this unreal picture of capitalism with some elements of truth?

The program I envision combines a weekly profit-sharing payout even to the lowest employee, passing the entrepreneurial drive down to this employee, building a team, and providing a reason to stay on the team as a worker. This can be accomplished. A single letter is too confining to define this, but I have thought it out. It will work. It can be tied to cash flow.

I think it is time for those of us who have gained by gambling on a profit to undertake the task of proselytizing our workers to look with understanding on the system. The food-service industry can do it. We need the leaders to lead us in this.

—John E. Mossman
Bakersfield, Calif.

### *Barbero's Seafood Grotto offers best of the Midwest*

Editor, NRN:

During a recent conversation with a restaurateur in New York, we started talking about my favorite restaurants.

Being a captain with Eastern Airlines, I have the privilege of visiting many cities, large and small in size. I started talking about a restaurant in Madison, Wis., called Barbero's Seafood Grotto.

I have to say that this restaurant is truly one of the outstanding restaurants I have fine-dined in during the past 20 years. To find such an outstanding seafood restaurant in the Midwest was quite a surprise.

The menu had everything from fresh Holland Dover sole to a selection of fish dishes found primarily in the Hawaiian Islands.

It was suggested to me to write to your newspaper about my unique find in the Heartland of America.

—Thomas V. Thomas
Edgewater, N.J.

### *Loyal managers: a key to any operation's success*

Editor, NRN:

A copy of your Editor's Corner column, "Treat the unit manager like a king," was recently given to me as a reference or inspiration in my effort to design an incentive compensation plan for our company's restaurant managers.

We currently operate four franchise restaurants with three more locations under development. Our base salaries and fringe benefits are competitive by local standards, and most of our managers and assistant managers have been with the company for several years.

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—Norma L. Calhoun
*controller*
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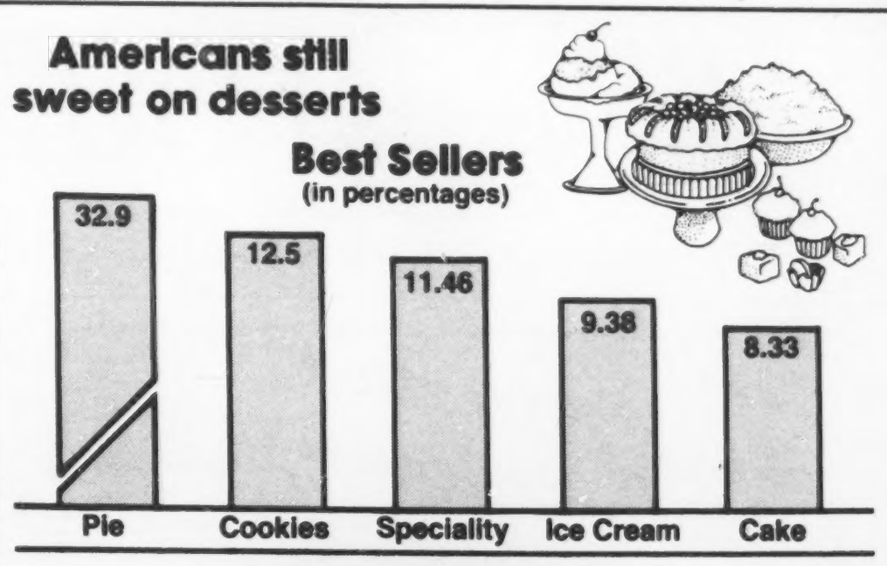


Survey conducted by Northwest Foodservice & Hospitality

# U.S. wild for desserts despite health warnings

SEATTLE — Despite the trend toward health-conscious eating, Americans still love their desserts.

According to Sandy Moreale, a registered dietitian at the American Dietetic Association here, Americans are hearing the health messages about the unhealthy nature of calorie-laden foods, but they are responding in a haphazard way.

Americans are more aware than ever before of what they eat. If they decide to eat something that is unhealthy for them, they make sure it counts. Thus, instead of ordering a simple dessert that is bad for them, they take things a step further by ordering a gourmet dessert item.

The exercise trend has served to complicate matters by sparking the "work out, pig out" concept. "They go to their health club and do their hour of exercise that will entitle them to little treats on the way home," Moreale was quoted as saying in Seattle-based Northwest Foodservice and Hospitality magazine.

The magazine, published by the Washington Restaurant Association, found in a survey of its members that pie was both the best-selling dessert and the most profitable.

Thirty-three percent of the operators questioned said pie outsold all other desserts, compared with 13 percent for cookies, 12 percent for specialty items, 9 percent for ice cream, and 8 percent for cake.

Eighteen percent of those polled said pie yielded the most profits, surpassing ice cream, which was cited by 16 percent; cake, at 10 percent; specialty items, also at 10; and cookies, 9 percent.

The unhealthy trend is not limited to desserts, however. It actually applies to all meals eaten away from home.

The National Restaurant Association's Anne Papa told Northwest Foodservice and Hospitality that while 60 percent of restaurant customers modify diets at home, only 40 percent do so when eating out.

A 1986 Gallup Poll conducted for the NRA found that American diners can be separated into four categories: traditional eaters (37 percent), weight-conscious eaters (28 percent), health-conscious eaters (19 percent), and the uncommitted (16 percent).

Traditional eaters are those who favor red meat, fried foods, and non-diet drinks. Weight-conscious eaters turn to low-calorie dressings, entrées, and drinks; sugar substitutes; and raw vegetables.

*If Americans decide to eat something unhealthy, they make it count.*

Health-conscious eaters adapt their diets for nutritional and health reasons. They prefer broiled meats, wholegrain breads, skinless poultry, fresh fruit, and no salt.

The uncommitted are the people who don't really think about what they're eating. Papa said their habits resemble the health-conscious eaters in that they "frequent fast-food restaurants, but they hit the salad bar."

8/4/88 C5150-5

NEWSPAPER

**Chefs, their kitchens: An Opus One odyssey**

Focus section follows page 26

**Bentsen vs. Bradley | RA takes over on busi... ark**

Dateline W... /Page 62

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Vol. 22, No. 31 | Published every Monday | Lebhar-Friedman Inc.; $3 a copy, $26.50 a year | August 1, 1988

Jeff Rogers, USA Cafes president, shows off Bonanza's new "Lighter Fare" food bar, featuring low-calorie, low-fat, low-sodium, and high-fiber foods.

## *Bonanza targets 'health' in new, expanded food buffet*

**USA Cafes rolls new ad campaign**
**Page 12**

**25th year marked**
**Page F14**

**By Alan Liddle**

SAN FRANCISCO — Out to distance itself from competitors that also offer food bars, Bonanza Restaurants is adding "healthy" side dishes and transforming its signature "Freshtastiks Food Bar" into a five-station food court.

The food-court-within-a-restaurant concept has been dubbed "Freshtastiks Food Fare" by officials of USA Cafes L.P., owner of 618-unit Dallas-based Bonanza. Freshtastiks

*(See **BONANZA**, page 86)*

# Industry faces profit squeeze on food, labor

## *Wall Street slashes estimates*

**By Rajan Chaudhry**

With drought-fueled food-price increases and the minimum wage poised for a hike, food-service operators are bracing for a new round of profit-margin pressures.

"I think there are a lot of restaurants in this relatively soft restaurant environment that will suffer," declared Thomas L. Gregory, chief executive of Los Angeles-based Sizzler Restaurants International Inc., owner of a 580-unit chain of budget-priced steak houses known for expansive food buffets.

"We'll take a little bit less of a margin short-term if it means keeping traffic and customer satisfaction up," said Jim Parish, chief financial officer at Dallas-based Chili's Inc., operator of 140 mid-priced full-service restaurants.

On Wall Street fears that higher food and labor costs will slash industry profitability are prompting analysts to lower restaurant stock ratings and earnings projections for 1989.

"The overall cost environment has the potential to be worse in 1989 than we thought several months ago because of the recent increase in commodity costs," stated a new Montgomery Securities re-

*(See **MARGINS**, page 86)*

# Celebs ignite Atlanta

## *Locals stay home*

**By Jack Hayes**

ATLANTA — Media and political celebrities sweetened the reservation books at Atlanta's dining spots during the week of the Democratic National Convention, but operators said they were disappointed that many regular patrons failed to show—apparently fearful of long dinner waits that never materialized.

"Business was down by one-half at our in-town restaurants," said Iris Osburn, a representative for Peasant Restaurants, which operates Country Place, Dailey's, Mick's, The Park, and

*(See **ATLANTA**, page 86)*

**FOOD WATCH**

## *The taste of the wild*

CAPE MAY, N.J. — Forget your run-of-the-mill chicken cordon bleu or filet mignon at the Mad Batter restaurant in this seaside town. For dinner tonight, how about gingered alligator ribs, rattlesnake cacciatore, or escalopes of lion on a bed of fiddlehead ferns?

But these wild and exotic meats don't come cheap.

Marinated grilled camel is $19, roasted hippopotamus is $19, and kangaroo chili is $15.75.

The most expensive dish on the Mad Batter menu is Eye of Buffalo, a buffalo filet mignon with wild mushroom sauce—at $19.50. Escalopes of lion cost $19, while an order of rattlesnake cacciatore goes for $18.

Even the poultry is exotic. The Mad Batter features peacock, guinea fowl, and wild duck.

The prices may be high, but many Mad Batter customers are too curious to resist the allure of the restaurant.

"They see wildebeest on the menu and say, 'I've got to eat it just to see what it's like and to tell my friends that I had it,'" said Mad Batter chef Danny Mellman.

—Ken Frydman

# Readers pick Golden Chain award victors

## *Operators to be feted at MUFSO*

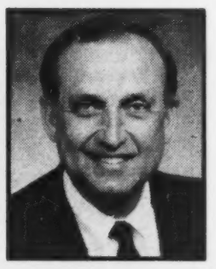
NEW YORK — Nation's Restaurant News' readers have selected the six 1988 Golden Chain MUFSO Operators of the Year from among 12 nominees.

These six will be honored at NRN's MUFSO '88 Multi Unit Food Service Operators conference in the Washington Hilton on Tuesday evening, Oct. 4.:

- Alvin Copeland, chairman of A. Copeland Enterprises (Copeland's dinner houses and Popeyes), New Orleans.
- Jack Goodall, president of Foodmaker (Jack in the Box), San Diego.
- Edgar Ingram 3rd, president of

*(See **GOLDEN CHAIN**, page 86)*

**Copeland**
**Copeland Ent.**



**Goodall**
**Foodmaker**

**Ingram**
**White Castle**

**Monaghan**
**Domino's**

**Smith**
**Chi-Chi's**

**Wood**
**Bob Evans**

CHARLES BERNSTEIN: C-STORES LACK SANITATION CODES? — PAGE F3

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Vol. 22, No. 31 Aug. 1, 1988

# NEWS DIGEST

## Hard Rock Int'l accepts bid from Britain's Pleasurama

NEW YORK — Hard Rock International PLC, operator of Hard Rock Cafes in New York, London, Dallas, Tokyo, Stockholm, Sweden, and Reykjavik, Iceland, has agreed to be acquired for $107 milllion by Pleasurama PLC, a British hospitality concern.

The deal includes only the Hard Rock Cafes controlled by Isaac Tigrett, not his former partner, Peter Morton. When the pair split up in 1983, Morton got Hard Rock development rights for the Southern Hemisphere and areas in the United States west of the Mississippi.

Morton, who has Hard Rocks in Los Angeles, San Francisco, Chicago, Sydney, pays a royalty to Tigrett. The two started the concept in London nearly 20 years ago.

Pleasurama, which operates casinos, restaurants, and hotels, will purchase Hard Rock's Class A shares in cash from shareholders in the United Kingdom.

## FDA still undecided about sulfite ban, memo reveals

WASHINGTON — The Food and Drug Administration hasn't decided whether it will extend its ban on the use of sulfites as a preservative for salad-bar items, according to a secret memorandum obtained by the Associated Press.

However, an agency spokesman told The New York Times that the prohibition will probably be expanded to include potatoes. Fresh potatoes are now exempted from the ban, which went into effect in 1986.

The FDA memo, which agency personnel indicated was not intended to be aired to the public, stated that the agency has decided to permit the use of sulfites as preservatives for processed foods. Only fresh fruits and vegetables, including those featured on restaurant salad bars, are covered by the ban.

## Licensee breaks ground for Rax's drive-thru-only

COLUMBUS, Ohio — A Rax franchisee has broken ground in the fast feeder's home town here for the 537-unit chain's first drive-thru-only outlet.

The 850-square-foot prototype will have a limited menu of burgers, sandwiches, fries, and chili. Some offerings will be priced below what conventional Rax units charge for them.

"We are hopeful this unit will be the first of many such Rax drive-thrus," said chain president Larry Ritter. The outlet, scheduled to open in September, is licensed to Benson Ross, the son of chain pioneer J. Pat Ross.

## Owner of Opryland Hotel adds Broadmoor to fold

NASHVILLE, Tenn. — The owner of the Opryland Hotel here, one of the nation's busiest convention centers, has purchased the landmark Broadmoor Hotel in Colorado Springs, Colo., from El Poman Foundation, a charity that has owned the resort since 1937.

The agreed-upon price was not revealed.

Opryland Hotel and the adjacent Opryland USA amusement complex are owned by Edward Gaylord. His real-estate holdings also include a 22,000-acre ranch north of Colorado Springs and an office building in the resort city's downtown area.

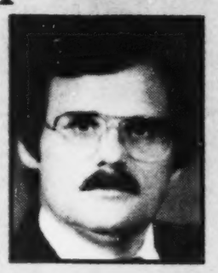
## Spillman expands his stable with Judge Bean's purchase

DALLAS — F.J. Spillman has added another restaurant concept to his stable of food-service holdings through the purchase of all three Judge Bean's restaurants from John Walker for an undisclosed amount.

Spillman, who founded Pizza Inn and served as its chairman until he was outbid by Pantera's Corp. in an attempt to acquire the pizza chain, recently secured a license to operate franchised Pizza Inns in Atlanta.

He has also purchased the J.T. McCord's casual dinner-house chain from Pantera's.

## *Burger King names Petty president of USA division*



Petty

MIAMI — Burger King, while its parent's directors were huddled in a closed-door meeting, completed the restructuring of its top management by elevating Ronald Petty, formerly head of international operations, to president of Burger King USA.

He succeeds Charles Olcott, who was appointed chairman of the fast-food restaurant company in the wake of J. Jeffrey Campbell's resignation as chairman of Pillsbury Co.'s restaurant group, the troubled empire that includes Burger King, Steak and Ale, and Bennigan's.

Succeeding the 44-year-old Petty as president of Burger King International is Richard Snead, 36, formerly executive vice president of Burger King USA's North Central Division.

The latest executive changes at Burger King came as Pillsbury's directors were meeting at the conglomerate's Minneapolis headquarters amid reports a new chief executive officer for Pillsbury would be chosen. Pillsbury refused to reveal the purpose of the meeting.

In the meantime, William Spoor, who was called out of retirement in February, remains chief executive and chairman. He has stated that a new chief executive will be named by the fall.

Following Campbell's resignation as restaurant group chairman, Pillsbury reversed the centralization he had fostered during his 13-month tenure. Both Burger King and S&A Restaurant Corp., the operator of Bennigan's and Steak and Ale, were given new top officers who report directly to Spoor, instead of to an intermediary. Previously, only Campbell answered to Spoor.

—Peter J. Romeo

## Servico changes top execs as purchase is finalized

WEST PALM BEACH, Fla. — As Servico meets here with a secret suitor to hammer out a definitive purchase agreement, the hotel and nightclub operator has tapped Vartan K. Tchekmeian to succeed longtime executive William A. Meyer as president.

Meyer also resigned his posts as chief executive and director in the wake of Servico's announcement that it has agreed to be acquired for $106 million. Servico has declined to identify the would-be buyer.

## Taco Bell enters Japan through franchising deal

NAGOYA, Japan — Taco Bell, the largest quick-service Mexican chain in the United States, has entered the $4 billion-a-year Japanese fast-food market.

The 2,700-unit chain has franchised a restaurant here to Taiho Group, a major Japanese food-service company and a franchisee of Pizza Hut, which, like Taco Bell, is owned by Pepsico Inc.

Taco Bell said the chain would also open company restaurants in Japan and sees "the potential for opening many more stores."

## Chapter 11 filing halts Le Peep's-Shelly's suit

COLUMBUS, Ohio — Le Peep Restaurants' "copycat" lawsuit against Shelly's, a three-unit chain here specializing in breakfasts, has been put on hold following Shelly's filing of a petition for bankruptcy protection.

The court which Shelly's has petitioned for protection from creditors has granted a stay in the litigation, as is typical in such situations.

Last year Le Peep, the 54-unit breakfast chain, filed a lawsuit seeking $2.25 million from Shelly's for alleged copyright infringements. Le Peep accused Shelly's of copying its menu.

# FOCUS | VIEWPOINT

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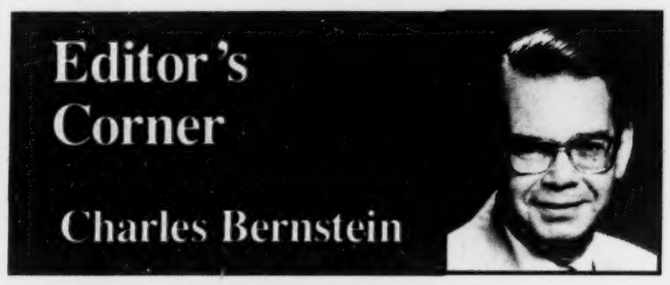
# Convenience stores lack sanitation codes?

Food-service operators of all types must meet rigid sanitation standards in city, suburban, and rural areas. Sinks, tile floors, and rest rooms are absolute requirements, among many other things.

It might seem unimaginable that competitors or various types of stores are not subject to the same regulations that apply to fast-food operators and every other restaurant under the sun. Yet it is a fact of life—not so much in cities as in outlying areas that could contain important markets.




For a long time fast feeders and other food-service operators chose to ignore convenience stores and to maintain that they are not really competition. But now it is obvious that food-service operators are recognizing the competitive aspects of convenience stores.

So much so that some fast feeders signed up to put units in convenience stores for added traffic opportunities—most notably, Hardee's, Church's, and Godfather's Pizza. But they quickly became disillusioned, realized that convenience stores are not an automatic gold mine, and dropped the idea.

Dunkin' Donuts and Winchell's Donuts have installed counters at some convenience stores with moderate success. Burger King and a few double drive-thru chains are eyeing the possibility of hooking up with convenience stores.

What is commonly known as fast food accounts for almost $1 billion in sales at Dallas-based 7-Eleven stores, even after the departure a year ago of longtime food-service director Richard Reinhard to become president of Central Park U.S.A. double drive-thrus and a selloff of some 1,000 7-Elevens to help finance the huge debt of parent Southland Corp.'s management leveraged buyout.

If one subtracts an estimated $2 billion in 7-Eleven gasoline sales, fast food probably accounts for some 20 percent of the chain's total volume in 7,200 stores. Although 7-Eleven's own fast-food program, The Works, faltered, its deli sandwiches are prospering.

The No. 2 volume convenience store chain, Phoenix-based Circle K, is doing $300 million annual food-service sales in the 4,700 stores it operates following the purchase of some 500 7-Elevens. With an estimated $1.3 billion in gasoline sales subtracted, it is probably doing 15 percent of total volume in fast-food and food-service items.

Stanley Bresler's 1,500-store Convenient Food Marts and other convenience store chains are rolling up impressive food-service figures even if the chains are not regarded as "traditional" food service. They certainly are intense competitors that will not go away no matter how traditional operators try to ignore them.

A significant indication of the inroads being made by convenience stores is that more than a few fast feeders are protesting an "unfair" cost and space advantage that convenience stores may enjoy because they purportedly do not have to observe sanitation laws.

"We're finding it tough to compete with convenience stores in certain states and counties that make us comply with every sanitation regulation but don't have any regulations applying to convenience stores," declares an executive at one major fast feeder. "This gives them a huge cost advantage, as they don't even need to provide rest rooms."

Maybe so, but to some degree this kind of talk permeating the industry has to be sour grapes. Most of the major convenience store chains are complying with existing sanitary codes or setting their own. And ones further away from cities that don't come under any regulations would only be injuring themselves by maintaining anything less than full sanitary conditions.

"We must be hurting the fast feeders for them to make unfounded accusations such as this," asserts one convenience store leader. "Five or 10 years ago it may have been true, but almost every state and county has sanitation regulations and almost every convenience store complies."

We hope so. Whatever the cost advantage may be, it is detrimental to the industry to have places without rest rooms or with subpar sanitary conditions.

Nevertheless, it behooves fast feeders that feel threatened by a purported lack of convenience store regulations to emphasize their own positive aspects in the food-service struggles.

At the very least, the recognition accorded convenience stores in the "rest rooms" controversy finally indicates that food-service operators have awakened to the "new" segment. They perceive that while convenience stores are not automatic gold mines, they are strong competitors that must be taken seriously—with or without rest rooms.

## LETTERS

### *In setting policy, justice for all may be impossible*

Editor, NRN:

While trying to set a company policy on waiter walkouts and credit card problems, such as no credit card numbers, I referred to The Legal Solver for Food-service Operations, printed by the National Restaurant Association. Enclosed is an excerpt from that book that I feel shows some injustices to employees and employers.

In setting policies, I find it difficult to be fair to employees and meet the federal laws. Here is the excerpt:

"For example, if an employee is paid $4 per hour, deductions may be made to the extent of 65 cents per hour. As pointed out in Chapter III, it is also important to note the tipped employees may not be required to pay for such losses from their tips."

This law raises many points in my mind:

Why should an employer who pays taxes and Social Security on tips not be allowed to consider that income for an employee? What is the difference between that and an hourly wage?

If employers allow these mistakes, what would stop an unscrupulous employee from accepting cash from a guest and then running a blank voucher through the machine? Then he could keep the cash and his job.

If employers set a strict policy, such as terminations for those mistakes, then there would be a loss of some good employees who made honest mistakes. What about the employee who would voluntarily pay for the mistake to keep his job, but it is is illegal for the employer to accept the payment? Under a termination policy the employee would be discharged.

For walkouts a review board can be set up to determine if the employee was negligent, but I do not see the credit card problem being solved that easily.

I would be curious to see how other large operations are handling these policies and what our legislators are doing to solve the injustices.

**—Jerry Minton**
*director of operations*
Consultant-International Hospitality Management Inc.
Panama City Beach, Fla.

### *Discounting no success in world of fine dining*

Editor, NRN:

I read the lead story in the June 13th issue of Nation's Restaurant News, the story on the flop of fine-dining coupons, and it rekindled the premise of an article I did some years back called "The Myth of Discount Promotions."

I might also add an even more "insidious" side effect of extended couponing. You really want to question the value of couponing when your regular customers start redeeming them. When I opened my second restaurant in Orlando, I was talked into participating in a discount program that sold for $24 and allowed unlimited use of the discount. Needless to say, it was a decision I regretted and it perhaps fueled my skepticism of discount promotions

Discounting is especially inappropriate for fine-dining operations. Whenever one is contemplating a discount, just repeat, "The frugal coupon diners cannot be converted to regular upscale patrons. They will not spent the savings on a nice bottle of wine or purchase a fancy dessert or appetizer." The help dislikes discounting because many tip on the discounted amount rather than the regular price.

The final bit of advice is to ask how much more business (in customers and sales revenue) must one do with the discount to be no worse off than they would be if they did not run the discount? The key to making a discount successful in the financial sense is for the sales to increase to a point that will reduce fixed cost percentages more than variable costs increase.

**—David V. Pavesic, Ph.D.**
*associate professor*
Georgia State University
Atlanta

**More letters on page F6**

# Margins face new pressure

*(Continued from page 1)*
port now being circulated on Wall Street.

"In 1989 this industry is clearly going to be facing margin pressures," said Leslie Steppel of Prudential-Bache Securities in New York. "The question is, Will the margin pressures come just from accelerating food-price inflation, or will profit margins be hit with a double whammy because they'll be faced with higher food prices as well as higher labor costs?"

Among the stocks Wall Street is turning a critical eye on McDonald's, Vicorp, TW Services, Cracker Barrel, Chili's, T.G.I. Friday's, Shoney's, Church's, Ryan's, Wendy's, Luby's, and Sizzler.

If the proposed minimum wage becomes law, Gregory said, Sizzler will be forced to raise prices. "The minimum wage does affect a lot of the employees we have, and I think it will be reflected eventually in price increases," he noted.

Gregory said that he is less concerned with food prices because Sizzler's menu is flexible, making it easy to change or modify costly items, and that its contracts for cooking oil and beef should help insulate the chain from food cost increases for nine to 12 months.

"While food costs definitely will move up because of the drought," explained Gregory, "we happen to be in a market where we can vary the content of our menu quite easily to avoid those things that are just completely uneconomical and not feel trapped by having to use a particular item."

Parish said that if it became necessary, Chili's could raise prices by as much as 4.5 percent. The chain has already increased prices about 2 percent over the last year without any loss of traffic.

The tip-credit provision of the new minimum-wage legislation should help soften the impact of labor costs and give Chili's an advantage over operations that don't have tipped employees, Parish said.

But industry analysts said Chili's—and operations like it—are especially vulnerable to margin erosion because of heavy reliance on beef and chicken, two of the commodities expected to be affected most by the drought.

Twenty-five percent of Chili's sales come from beef products, said Parish and 15 percent from chicken products.

At Los Angeles-based Collins Foods International Inc., Christopher Thomas, vice president of finance, said that because of high chicken prices, the 260-unit Kentucky Fried Chicken division has been the first to feel the effects of the drought.

"I think there's a legitimate concern about margins," Thomas said, "and there's an uncertainty about what's going to happen to the cost of food products."

Collins' Thomas already knows the effects of a higher minimum wage: In California the minimum wage increased to $4.15 per hour from $3.35 July 1.

"While we believe large increases (10 percent or so) in either food or labor costs are very manageable for most industry participants," the Montgomery Securities report said, "the combination of large increases in both food and labor costs at the same time could have a negative effect on industry profitability."

Based on its cost concerns and significant appreciation among some stocks, Montgomery Securities reduced its ratings for McDonald's and Vicorp from "aggressive buy" to "attractive," and for TW Services, Cracker Barrel, Chili's, and T.G.I. Friday's, from "attractive" to "neutral." Only Sizzler and Collins Foods remain on its aggressive-buy list.

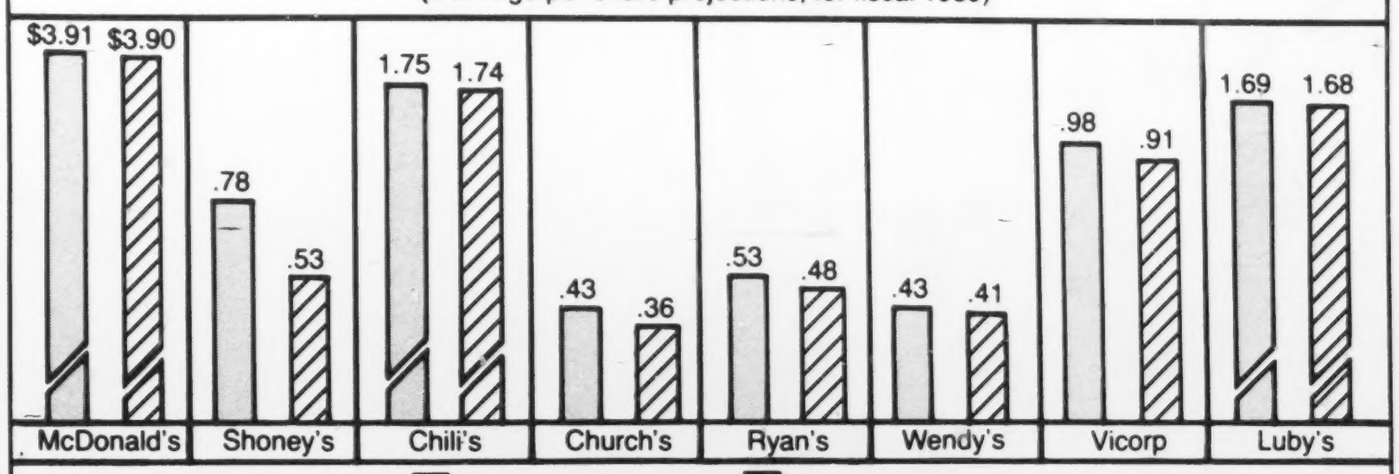
Similarly, Steppel, at Prudential-Bache, limited her "buy" recommendations to McDonald's, Sbarro, and Sizzler.

And the likelihood of shrinking margins has prompted analyst Caroline Levy of New York-based Shearson Lehman to take a bearish stance on two of the industry's most touted stocks. She downgraded her rating of Sizzler Restaurants International from "outperform," to "neutral" and McDonald's, from "outperform" to "underperform."

Following Levy's downgrade, Sizzler stock slipped 50 cents to $18 per share but rebounded by week's end.

**WALL STREET SLASHES OUTLOOK**

(Earnings-per-share projections, for fiscal 1989)




Note: Averaged from reports supplied by securities analysts. Previous estimates issued in May. New estimates issued in July.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan, New York.

# Bonanza boosts food bar

*(Continued from page 1)*
Food Fare, which is to debut in three new Southern California Bonanza's late this year, is an integral part of the chain's new prototype decor that increases seating from 260 to 290.

Company officials declined to project how much the new protoype unit would cost to build. However, one of the suppliers involved in the development of the food court speculated that the cost of a Bonanza restaurant could rise from about $800,000 to $1 million.

Bonanza licensees got their first glimpse of both the Food Fare and "Lighter Fare" healthful foods concepts during the chain's 25th Anniversary Convention in San Francisco. Most, if not all, of the operators responded favorably, with some indicating they might retrofit the tile-trimmed Food Fare into existing stores.

The Freshtastiks Food Fare is described by Bonanza brass as "innovative," "a first in the family restaurant segment," and an example of how the chain will meet the challenges of the next decade. And while it might be all of those things, to the casual observer it appears little more than a slickly packaged version of the Freshtastiks Food Bar.

Foodwise, the newest twist is Lighter Fare, a dedicated station featuring such items as sugar-free fruit, low-salt soups and salad dressings, high-fiber muffins, and low-calorie desserts, including parfaits. The chain is encouraging operators who opt not to retrofit a Freshtastiks Food Fare into their existing units to add Lighter Fare items to the food bar they now have or create a second minibar.

Jeff Rogers, USA Cafes president, said Lighter Fare would give people concerned with nutrition or who are on a salt- or cholesterol-restricted diet a "great reason to visit Bonanza."

To create Freshtastiks Food Fare, Bonanza's development team segregated the branded sections of the Freshtastiks Food Bar and added Lighter Fare. The result is that the main section of the Freshtastiks Food Bar, which houses salad makings and prepared salads, is now encircled by four free-standing bars: "Soups and Breads"; "Hot and Hearty" (warm vegetables, appetizers, and side dishes); "Lighter Fare"; and "Desserts."

"We do think it is going to build traffic, and we believe it will increase frequency," Dale Conwell, director of marketing services, said of Freshtastiks Food Fare and Lighter Fare. The two new programs, he said, "further enhance our image" and should help Bonanza "move away from a budget steak [reputation] to a healthy foods orientation."

William Tate and Bill Munro of Huntington, W. Va., who own five Bonanzas and oversee 12 more as area developers, said Food Fare and Lighter Fare could be just the competitive edge Bonanza operators need.

Making the two developments timely, Tate indicated, is the emerging phenomenon of "shopping" among consumers who check out food bar offerings before deciding which restaurant to patronize. The new food court, with its strikingly different look and a dedicated healthful foods section could "put us in a unique position," he said.

Munro remarked that Bonanza officials have had to "sell us" innovations in the past, but the Freshtastiks Food Fare "sells itself."

Jeff Gordon of the Chica Corp., a 15-unit Dallas-based Bonanza operator, was more succinct in summing up his feelings about the food-court approach: "You'd be crazy not to try it."

According to area developer Robert Lemire of Laconia, N.H., Lighter Fare "is the wave of the future."

"We frequently get requests for 'diet' salads and foods on comment cards," Lemire explained.

In addition to the Freshtastiks Food Fare, nine food bar retrofit packages, costing from $5,000 to $15,000, were unveiled in San Francisco.

The retrofit packages, from three of Bonanza's major equipment suppliers, feature less distracting sneeze guards designed to let the food better market itself.

Another feature of the retrofit packages is the use of enamel-coated surfaces to retain a "fresh" look and a greatly reduced dependence on kale and other greens now used to give food bars a "produce mart" feel. Some operators have complained that kale maintenance is relatively labor intensive.

Rudolph Milasinsic of Lyndora, Pa., a Bonanza franchisee of 17 years, said the introduction of Lighter Fare and the retrofit packages offers him a potentially "cost effective" way to "boost" sales.

# Atlanta hosts the Democrats

*(Continued from page 1)*
Pleasant Peasant in downtown and midtown.

Nevertheless, such notables as politician Geraldine Ferraro and actresses Justine Bateman and Morgan Fairchild made dining appearances at Peasant establishments during the course of the convention.

Beverlee Shere, who operates the Coach & Six between midtown and Buckhead, admitted to a share of reservation no-shows but said her 200-seat restaurant was visited by the cream of the convention's celebrities.

They included ABC News president Roone Arledge and 42 members of his staff, including David Brinkley and Sander Vanocur. Visitors also included parties from CBS News, USA Today, and 40 foreign dignitaries hosted by Virginia Gov. Gerald Baliles.

Shere's restaurant, a 26-year-old landmark that set the fine-dining standard in Atlanta, was ignored in recent "Where-to-Dine" writeups available to visiting conventioneers.

"We may not be the critic's choice, but we are the people's choice," Shere said with a shrug, having served a party of 300 for the Rev. Jesse Jackson on Saturday before the convention's official opening.

Buckhead Life Restaurant Group, which operates five Atlanta restaurants, including the four-star rated Pano's & Paul's, had the convention coup with a 24-party welcome dinner for Massachusetts Gov. Michael Dukakis, the Democratic presidential nominee.

Dukakis is related to restaurateur Pano Karatassos, who hosted the lobster affair at 103 West in Buckhead, where Massachusetts Sen. Ted Kennedy dined the same evening.

The Atlanta Chamber of Commerce predicted that each of the 35,000 people visiting the city for the convention would spend an average of $300 on food and drink during their stay.

## *Golden Chain winners*

*(Continued from page 1)*
White Castle, Columbus, Ohio.

- Thomas Monaghan, president of Domino's Pizza, Ann Arbor, Mich.
- Hal Smith, chief executive officer of Chi-Chi's, Louisville, Ky.
- Robert Wood, chief operating officer of Bob Evans Farms, Columbus, Ohio.

One of the six will be chosen as Operator of the Year by vote of the MUFSO Academy of former Golden Chain winners and Operators of the Year dating back to 1971.

Details on NRN's 29th annual MUFSO conference, in the Washington Hilton October 2-5, are available from Chris Hernandez at (212) 371-9400, Ext. 282, 283.

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Nation's
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## NRN's Annual Survey of Leading Chains and Companies

# THE 1988 TOP 100

# TOUGH TIMES IN FOOD SERVICE

- Systemwide sales growth slows
- Negative 'growth' for one in five chains
- Unit expansion tapers off
- Average unit sales flat at 15 chains
- Big revenue gains at top companies

Focus section follows page 46

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BUSH BEATS DUKAKIS, 3-1, IN NRN READER POLL — Second Front Page

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## NEWS DIGEST

### Beach waste washes away NJ food-service profits

ASBURY PARK, N.J. — With local beaches closed since mid-July because of medical wastes and high bacteria levels, food-service and resort operators here say business has all but dried up.

Operators On Long Island and as far north as Cape Cod were plagued by similar pollution-related beach closings.

Jersey Shore food-stand operators say sales are off by as much as 80 percent. The drop in traffic has caused many restaurants to cut hours and employees and others to just plain shutter their businesses.

Although four area beaches recently reopened, medical waste continues to wash ashore, scaring off bathers.

### Pepsico to bring concepts together into 3-in-1 unit

COLUMBUS, Ohio — Pepsico is grouping its Taco Bell, Pizza Hut, and Kentucky Fried Chicken concepts together under one roof to create a three-in-one fast-food hybrid on what was formerly the site of a Taco Bell unit.

A Taco Bell spokesman declined to reveal further details.

Pillsbury Co. has formed such complexes by combining three of its concepts—Burger King, Godfather's, and Häagen-Dazs—at a single location.

International Dairy Queen is developing three-in-one Treat Centers—single facilities featuring the products of IDQ's three food chains, Dairy Queen, Karmel Korn, and Orange Julius.

### Carney leads acquisition of Western Sizzlin chain

AUGUSTA, Ga. — Frank Carney, who cofounded Pizza Hut in 158, is leading a group acquiring Western Sizzlin Inc., the franchisor of 600 budget steak houses, from its founding Pascarella family for $95 million.

Carney would become chairman of the company and Michael Stack, a 25-year restaurant veteran, would be president and chief executive.

Western Sizzlin was founded in 1962 by Nick and Nora Pascarella. Nora Pascarella would become chairwoman emeritus and son Edward would become director of franchise relations.

### Cashew Chicken Salad rolled out at Arby's

ATLANTA — In what Arby's described as an extension of both its salad and chicken menu lines, the fast feeder has added a new Cashew Chicken Salad.

A new side salad has also been rolled out, Arby's said.

The Cashew Chicken Salad was tested in Minneapolis, Cleveland, and Phoenix, Ariz., last year. It consists of diced roasted chicken, shredded Mozzarella cheese, peppers, cashews, lettuce, carrots, and tomato wedges.

Arby's menu already features several poultry items, including a chicken Cordon Bleu sandwich.

### C.A. Muer opens new one in Fort Lauderdale, Fla.

FORT LAUDERDALE, Fla. — The C.A. Muer Corp. has opened a new Charley's Crab dinner house here, the Detroit-based company's fourth Florida restaurant.

The new operation, opened at the site of a Harrison's restaurant, sports 300 feet of docking space in the intercoastal waterway and a menu featuring local swordfish and mahi mahi.

Muer already operates a Charley's Crab and a Chuck and Harold's in Palm Beach and a Charley's Crab in Jupiter.

The company has 12 other restaurants in Michigan; Ohio; Pennsylvania; and Washington, D.C.

### *Elias brings Elby's back to Big Boy fold*

**By Peter J. Romeo**

WARREN, Mich. — Elias Bros., franchisor of the Big Boy coffee-shop chain, has brought a dissident franchise back into the Big Boy fold through the resigning of Elby's Restaurants as a licensee.

Elby's, which operates 75 coffee shops in West Virginia, Ohio, and Pennsylvania, pulled out of the Big Boy system in 1984, while Marriott Corp. was the Big Boy chain's franchisor.

Marriott sold the licensing rights to Elias late last year. Since then, JB's Restaurants, a licensee based in Salt Lake City, has opted to pull out of the Big Boy system. The chain's ranks are also being thinned by Marriott's conversion of its Bob's Big Boy units to a new family restaurant concept called Allie's.

Elby's explained at the time of its defection from Big Boy that it was seceding because recognition of the Big Boy name had waned in the operator's Midwestern territory.

JB's also faulted Big Boy's marketability in explaining its decision to withdraw.

"Rejoining the Big Boy system will give us access to more new-product development, marketing techniques and research, management expertise and operating economies," Elby's chief executive George Boury said in explaining the operator's recent change of heart.

Since switching from licensee to franchisor of the Big Boy system, Elias has attempted to unify the chain by requiring all operators to use the same identity.

Previously, some franchisees regionalized signage by putting their own names in front of the words "Big Boy." As a result, Big Boy units were known as Frisch's Big Boys, Marc's Big Boy in another region, and Elias' Big Boy in yet another.

Elias is also developing a core Big Boy bill of fare to replace the variety of menus currently in use throughout the system. Under Marriott, licensees exercised great autonomy in deciding which items to offer.

"We see Elby's decision to rejoin the chain as a significant demonstration that we are already making the right decisions and are leading the chain to a strong future," said Louis Elias, president of Elias Bros.

### Renaud hires Doyle for Church's franchising

SAN ANTONIO, Texas — Church's Chicken president Ernest Renaud, in his first hire since assuming the job, has named Gordon R. Doyle as vice president of franchising, effective Aug. 15.

**Doyle**

Doyle will succeed George Samaras, who recently joined Popeyes Famous Fried Chicken as executive vice president of company and franchise development.

Renaud and Doyle worked together at the Golden Corral steak-house chain and Lexington, Ky.-based Jerrico, franchisor of the Long John Silver's fast-food fish chain. Before joining Church's, Renaud was president of the Raleigh, N.C.-based Investors Management Corp., which operates Golden Corral and franchised Church's units, among other concepts.

Before joining Church's, Doyle was vice president of development and construction and, most recently, vice president of administration at Golden Corral.

### Prices rise 3.6 percent from June to July

WASHINGTON — Farm prices rose 3.6 percent in July, the U.S. Department of Agriculture reported.

Average prices received by farmers in July were 10 percent higher than those in July of last year, the U.S. Department of Agriculture indicated in a report that gained attention because of the drought in the nation's farm belt.

Nation's Restaurant News

# FOCUS

# TOUGH TIMES IN FOOD SERVICE

## *Top 100 chains stagger under blows from sagging sales and falling traffic*

By Joe Edwards

Some of the leading chains and companies in food service are limping through 1988 bruised and battered by sagging sales and falling customer counts.

Fully 20 percent of the Top 100 chains are reeling from negative real growth in systemwide sales. Average unit sales are flat or off at 19 chains, compared with 1987 results.

Unit expansion has slowed to a crawl, with about half the top chains showing only nominal unit growth at best. More than a dozen chains are closing substantial numbers of restaurants.

Total systemwide sales for the Top 100 chains are rising only 8 percent over last year's figures, one of the most anemic increases in memory.

It has not been a very good year.

Systemwide sales in real terms—sales adjusted for inflation—are off 32.5 percent at Stuart Anderson's, 15.1 percent at Godfather's, 14.3 percent at Po Folks, 14.2 percent at 7-Eleven, 14.2 percent at Steak and Ale, 14.2 percent at El Torito, 6.8 percent at Church's Fried Chicken, and 5.3 percent at Denny's.

Other big losers in systemwide sales growth include Holiday Inns, Bojangles' Chicken 'n Biscuits, Big Boy, Hilton Hotels, Krystal, Wyatt, Showbiz/Chuck E. Cheese's, Red Lobster, Long John Silver's, Coco's, Carvel, Woolworth, and Service America.

Average unit sales are flat or worse at many of the Top 100 chains. Wyatt Cafeterias, Steak and Ale, Stuart Anderson's, Bennigan's, and Bojangles' had no increases in average unit sales this year compared with 1987. Unit sales are off 0.3 percent at Church's Fried Chicken, 1.5 percent at Luby's, 1.9 percent at Po Folks, 2.3 percent at White Castle, 3.0 percent at Daka, 3.3 percent at Ponderosa, 3.8 percent at Sportservice, 4.0 percent at Ryan's, 4.0 percent at Westin Hotels, 4.3 percent at Ogden Allied Aviation Services, 6.0 percent at Service America, 6.5 percent at Hyatt Hotels, and 6.7 percent at Circle K.

The poor performance of many Top 100 chains has led to a retrenchment philosophy in terms of expansion. More than a dozen chains—including 7-Eleven, El Torito, Steak and Ale, Chi-Chi's, Village Inn, and Big Boy—are either reducing the numbers of restaurants in their systems compared with 1987 figures or are holding steady.

Those shutting or divesting the most units this year are 7-Eleven (1,000), Church's (45), Stuart Anderson's (33), El Torito (23), Godfather's Pizza (20), and Po Folks (15). That helps explain the flatness or downturns in systemwide sales at some chains. But Denny's systemwide sales were off 5.3 percent in real terms even as the family restaurant giant opened 35 new restaurants.

The big food-service companies are in the same boat as the chains. More than 13 of the Top 100 companies are posting negative revenue growth this year compared with 1987. Food-service revenue is off 52.7 percent at Southland, 48.6 percent at Jamco, 9.4 percent at Winchell's Donut Houses L.P., 9 percent at Winners Corp., 7.0 percent at Harman Management, and 5.6 percent at Consul Corp.

On the plus side, food-service revenue is rising 110.8 percent at the Greyhound Corp, 60.4 percent at Foodmaker, 58.4 percent at Horn & Hardart, 46.9 percent at Sodexo, and 43.8 percent at Paragon Restaurant Group.

Eleven chains that were on the Top 100 list last year did not make the 1988 list: Sbarro, Cracker Barrel Old Country Stores, J.B.'s, Tastee Freez International, Winchell's Donut Houses, Mr. Gatti's, Brown Derby, York, Mr. Steak, Shakey's Pizza, and Restaura. The cutoff point for the Top 100 is $153 million in systemwide sales.

Total systemwide sales for the Top 100 chains this year are rising about 8 percent, to $82.4 billion, compared with $75.8 billion in 1987 and $67.4 billion in 1986.

Systemwide sales are up 38.8 percent at Subway, 37.9 percent at Little Caesars, 36.3 percent at Seiler Corp., 31.0 percent at Chili's, 29.7 percent at Ryan's Family Steak Houses, 24.9 percent at Fuddruckers, 21.7 percent at Bakers Square, 20.5 percent at Morrison Custom Management, 19.2 percent at Whataburger, and 19 percent at Jack in the Box.

But unit expansion accounts for much of the sales increases. Subway is

*(See **TOP 100**, page F100)*

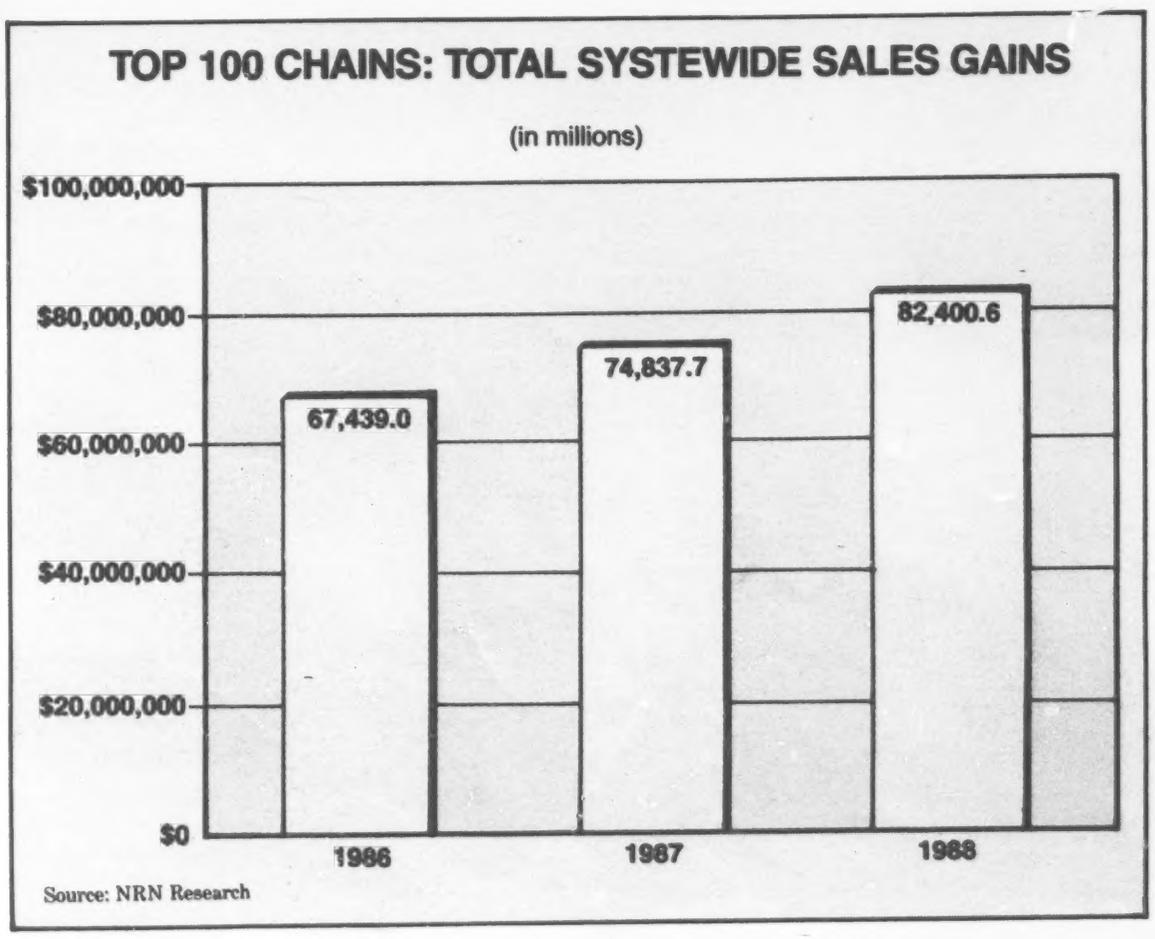
### RESTAURANT CHAINS EXPERIENCING NEGATIVE REAL GROWTH IN SYSTEMWIDE SALES

| Chain | Fiscal Year Ends | % chng. in systemwide sales, 1988 vs. 1987 | % chnge. in real terms, 1988 vs. 1987[1] |
|---|---|---|---|
| Service America Corp. | July | 4.01% | – 0.19% |
| Woolworth | Jan. | 4.00 | – 0.20 |
| Carvel | Dec. | 3.95 | – 0.25 |
| Coco's | Dec. | 3.70 | – 0.50 |
| Long John Silver's | June | 3.45 | – 0.75 |
| Red Lobster | May | 2.46 | – 1.74 |
| ShowBiz/Chuck E. Cheese | Dec. | 1.69 | – 2.51 |
| Wyatt Cafeterias | Dec. | 1.40 | – 2.80 |
| Krystal Restaurants | Dec. | 1.09 | – 3.11 |
| Hilton Hotels | Dec. | 0.81 | – 3.39 |
| Big Boy | Dec. | 0.29 | – 3.91 |
| Bojangles' Chicken 'n Biscuits | Dec. | 0.00 | – 4.20 |
| Holiday Inns | Dec. | – 0.53 | – 4.73 |
| Denny's | June | – 1.19 | – 5.39 |
| Church's Chicken | Dec. | – 2.60 | – 6.80 |
| El Torito | Dec. | –10.00 | –14.20 |
| Steak and Ale | May | –10.00 | –14.20 |
| 7-Eleven | Dec. | –10.04 | –14.24 |
| Po' Folks | Sept. | –10.11 | –14.31 |
| Godfather's | May | –10.91 | –15.11 |
| Stuart Anderson's | Dec. | –28.30 | –32.50 |

[1]Presumes 4.2 percent inflationary rate, as projected by the National Restaurant Association for 1988

Source: NRN Research

### TOP 100 CHAINS: TOTAL SYSTEWIDE SALES GAINS




Source: NRN Research

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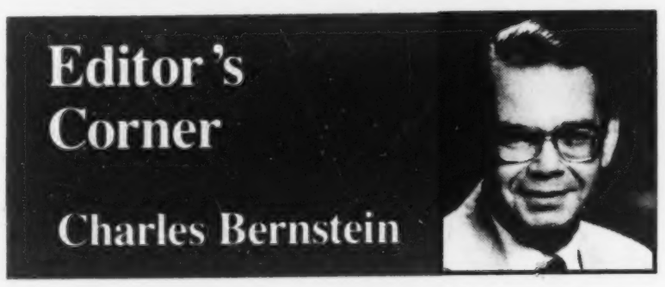
# Restaurant no-shows: handle with care

Frustrated by customers who make reservations and don't show up, restaurateurs increasingly are opting not to accept any reservations at all. This seems to be the simplest solution to a problem that has plagued operators for years: the inconsiderateness of people who don't even think about informing a restaurant when their plans change.

In fact, frequent diners-out are dealing with restaurants in much the same way that frequent flyers deal with airlines. They make multiple reservations and then decide at the last minute which one they feel like using or which one is more practical, leaving the restaurants in the lurch.




Perhaps this type of gross discourtesy is inherent in the modern age, but there really is no excuse for it. All too often it means that a restaurant is left with tables that can no longer be filled, although the more popular places tend to have people always standing by if a cancellation does occur. Still, the table has to be held for at least 15 minutes or a half-hour until it can be utilized by someone else, so valuable time is being lost.

Of course, many restaurants never wanted to take any reservations because of the troubles involved. These restaurants can just as soon keep an almost endless line of people waiting for an hour or more, boosting the bar check and maintaining a steady flow of turns at tables.

Still, customers do get tired of waiting, and not taking reservations is a questionable solution to the dilemma. Many of the customers are faithful and should not be penalized for the lack of concern shown by some people. The real question facing operators should be how to handle reservations so they can somehow keep themselves and their customers happy—a tricky balancing act.

Some operators are in turn emulating the airlines by deliberately overbooking by an undisclosed percentage—anywhere from 10 percent to 30 percent. This is one answer, although far from ideal. It hinges on the restaurateurs' astuteness in projecting how many customers might cancel on a particular evening—a product of traffic patterns, an instinct about human nature, and pure guesswork.

Another answer is to require the customer to call back the day of the scheduled reservation to reconfirm. An operator who has not heard from the customer by perhaps six hours before reservation time could then call the customer. This requires having someone experienced enough to always take the customer's phone number when the reservation is made.

It is not unreasonable for an operator to cancel the reservation if he has received no confirming call and cannot contact the customer. Nor is it unreasonable to cancel it after waiting a half-hour.

**What would you do about no-shows?**

Consumers who break reservations have become a monumental problem. How long should tables be held? Should restaurants stop taking reservations? Should operators charge patrons a no-show penalty fee?

To voice your answer, call the toll-free Nation's Restaurant News Hot Line, 24 hours a day, all this week.

A recorded message will ask you for your statement, and your name, company and phone number for verification.

Watch for a full report in an upcoming edition.

**NRN Hot Line**
**1 (800) 678-7711**

This game is tough to win because more than a few screaming matches occur when the customer arrives on time only to find the reservation was canceled for lack of confirmation, or when the customer arrives late.

Unfortunately, the situation has reached the point where it well may be necessary to maintain a checklist of those loyal customers who have showed up on time and honored their reservations on a regular basis or at least have notified the restaurant when they could not keep the reservations.

Reservations imply a basic trust between the restaurant and the customer—a trust that too often is abrogated by one side or the other, whatever the circumstances.

It is common courtesy for customers to at least call when their plans change. The fact that this basic precept is not nearly as prevalent today as it once was becomes evident when someone does phone a restaurant to cancel a reservation. The person taking the call sounds astonished that anyone would even bother phoning and profusely thanks the caller.

There is no easy answer for the constant no-show problem, but refusing to accept reservations is not sensible. An operator must have a series of fine-tuned steps to help assure that the customer's intentions are known or can reasonably be ascertained.

It has even gotten to the point where a justifiably indignant Gordon Sinclair wants to have all reservations guaranteed with an American Express card. The Chicago restaurateur, stung too many times by people who did not honor reservations, would charge a fee to the American Express account of any no-show.

If the restaurateur goes too far in enforcing every conceivable regulation about reservations, he may find that he can rely on those who do make reservations but that there are just too many empty seats (representing customers disgruntled by oppressive rules). But if he is too lax in enforcing reservation policies, he will get burned too often.

The one sure thing is that no-shows have become a monumental problem and that solutions must be pursued.

## *LETTERS*

### *Dining coupon programs can benefit an operation*

Editor, NRN:

I'd like to take issue with your June 13, page 1 story, "Fine-dining coupons flop." It suggested that all dining-coupon programs are created equal and have equally dismal results.

That simply isn't the case. Our experience shows the exact opposite to be true: Properly executed dining promotions are very beneficial to restaurants. Indeed, one of your quoted sources happily participates in one of our programs and recently renewed for another year.

The difference? Positioning the programs as exclusive, offering them to distinctly upscale audiences, issuing discreet plastic membership cards, not cumbersome coupon books, and scrupulously tracking results.

I suggest that a story on how to judge a quality discount program would serve your industry far better than one that cites the negative experience of only four restaurateurs, as your reporter did, and uses them as the basis for discarding what can be a very sound promotional tool.

**—Ginny Kelley**
*president*
Rose Marketing Services Inc.
Minneapolis

### *Fabricant article offers list of commandments*

Editor, NRN:

Florence Fabricant's article "Common Sense Makes a Comeback," in Food Trends in Fine Dining in the May 9 issue of NRN, was not only fun to read but also a summary of assorted commandments that restaurateurs should live by.

Congratulations!

**—George Lang**
*president*
The George Lang Corp.
New York

### *Bras in the dress code: a square, sexist notion*

Editor, NRN:

I am writing in response to your May 2 Editor's Corner column. I have no argument with the point you made concerning sanitation standards. But your mention of "braless waitresses" as an example of unacceptable dress mode was unnecessary.

Many women do not wear bras as they find them uncomfortable or useless. Imagine having a dress code which required bras! Would you be willing to enforce something like this? How ever would you do it? The image that comes to my mind is appalling.

Some may call this square. Others may call it sexist.

The day may come when you choose to don a bra in the interests of dignity and sanitation. Be sure to let me know; perhaps I will join you.

**Eileen Hoyt**
San Francisco

# FOCUS | TOP 100

## TOP 100 CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1988 | Rank 1987 | Chain | Chain Headquarters | Concept | Parent Company | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Oak Brook, Ill. | Hamburger | McDonald's Corp. | Dec. | $15,750.0 | $14,330.0 | $12,432.0 |
| 2 | 2 | Burger King | Miami, Fla. | Hamburger | Pillsbury Co. | May | 5,300.0 | 5,000.0 | 4,500.0 |
| 3 | 3 | Kentucky Fried Chicken | Louisville, Ky. | Chicken | Pepsico Inc. | Dec. | 4,300.0 | 4,100.0 | 3,500.0 |
| 4 | 4 | Hardee's | Rocky Mount, N.C. | Hamburger | Imasco Ltd. | Dec. | 3,300.0 | 3,063.6 | 2,676.4 |
| 5 | 5 | Wendy's | Dublin, Ohio | Hamburger | Wendy's International | Jan. | 3,000.0 | 2,868.0 | 2,747.2 |
| 6 | 6 | Pizza Hut | Wichita, Kan. | Pizza | Pepsico Inc. | Dec. | 3,000.0 | 2,600.0 | 2,260.0 |
| 7 | 7 | Domino's Pizza | Ann Arbor, Mich. | Pizza | Domino's Pizza Inc. | Dec. | 2,300.0 | 1,977.0 | 1,567.0 |
| 8 | 8 | Dairy Queen | Minneapolis, Minn. | Ice Cream | International Dairy Queen | Nov. | 2,038.0 | 1,878.0 | 1,723.0 |
| 9 | 9 | Marriott Food & Services Management | Washington, D.C. | Contract | Marriott Corp. | Dec. | 1,897.3 | 1,701.2 | 1,130.1 |
| 10 | 10 | Taco Bell | Irvine, Calif. | Mexican | Pepsico Inc. | Dec. | 1,735.0 | 1,543.0 | 1,338.0 |
| 11 | 12 | Sheraton Hotels | Boston, Mass. | Hotel | ITT Corp. | Dec. | 1,474.0 | 1,252.9 | 1,193.7 |
| 12 | 13 | ARA Services | Philadelphia, Pa. | Contract | ARA Services Inc. | Sept. | 1,251.7 | 1,145.0 | 1,013.7 |
| 13 | 11 | Denny's | La Mirada, Calif. | Fam. Rest. | TW Services Inc. | June | 1,250.0 | 1,265.0 | 1,205.0 |
| 14 | 15 | Arby's | Atlanta, Ga. | Roast Beef | DWG Corp. | Dec. | 1,050.0 | 988.0 | 886.0 |
| 15 | 14 | Big Boy | Warren, Mich. | Fam. Rest. | Elias Bros. Restaurants | Dec. | 1,030.0 | 1,027.0 | 974.7 |
| 16 | 17 | Marriott In-Flite Services/Host | Washington, D.C. | Contract | Marriott Corp. | Dec. | 1,024.8 | 950.6 | 821.7 |
| 17 | 16 | Red Lobster | Orlando, Fla. | Dinner House | General Mills Inc. | May | 1,000.1 | 976.0 | 875.0 |
| 18 | 24 | Little Caesars Pizza | Farmington Hills, Mich. | Pizza | Little Caesars Enterprises | Dec. | 1,000.0 | 725.0 | 520.0 |
| 19 | 18 | Marriott Hotels | Washington, D.C. | Hotel | Marriott Corp. | Dec. | 980.2 | 875.4 | 739.8 |
| 20 | 19 | Canteen Corp. | Chicago, Ill. | Contract | TW Services Inc. | Dec. | 925.8 | 832.7 | 762.4 |
| 21 | 20 | Holiday Inns | Memphis, Tenn. | Hotel | Holiday Corp. | Dec. | 826.5 | 830.9 | 840.5 |
| 22 | 21 | Hilton Hotels | Beverly Hills, Calif. | Hotel | Hilton Hotels Corp. | Dec. | 822.0 | 815.4 | 718.9 |
| 23 | 23 | Dunkin' Donuts | Randolph, Mass. | Doughnut | Dunkin' Donuts Inc. | Oct. | 808.0 | 728.8 | 648.0 |
| 24 | 28 | Jack in the Box | San Diego, Calif. | Hamburger | Foodmaker Inc. | Sept. | 780.0 | 655.0 | 588.0 |
| 25 | 25 | Shoney's | Nashville, Tenn. | Fam. Rest. | Shoney's Inc. | Oct. | 780.0 | 718.6 | 644.5 |
| 26 | 22 | Long John Silver's | Lexington, Ky. | Fish | Jerrico Inc. | June | 762.1 | 736.7 | 697.4 |
| 27 | 30 | Sizzler | Los Angeles, Calif. | Steak House | Collins Foods International | April | 751.5 | 632.5 | 505.0 |
| 28 | 26 | Service America Corp. | Stamford, Conn. | Contract | Servam Corp. | July | 718.6 | 690.9 | 677.4 |
| 29 | 29 | Ponderosa Steakhouses | Dayton, Ohio | Steak House | Metromedia Inc. | Feb. | 699.7 | 650.6 | 597.7 |
| 30 | 31 | Baskin-Robbins | Glendale, Calif. | Ice Cream | Allied-Lyons Plc | Dec. | 635.2 | 594.0 | 542.5 |
| 31 | 32 | Friendly | Wilbraham, Mass. | Fam. Rest. | Hershey Corp. | Dec. | 605.0 | 572.4 | 536.0 |
| 32 | 27 | 7-Eleven | Dallas, Texas | C. Store | Southland Corp. | Dec. | 604.8 | 672.3 | 599.5 |
| 33 | 34 | Bonanza | Dallas, Texas | Steak House | USACafes | Dec. | 596.0 | 529.5 | 458.4 |
| 34 | 35 | Roy Rogers | Rockville, Md. | Hamburger | Marriott Corp. | Dec. | 575.0 | 525.0 | 490.0 |
| 35 | 33 | Church's Chicken | San Antonio, Texas | Chicken | Church's Fried Chicken Inc. | Dec. | 520.0 | 533.9 | 577.7 |
| 36 | 36 | Westin Hotels | Seattle, Wash. | Hotel | Aoki Corp. | April | 512.0 | 472.1 | 460.2 |
| 37 | 39 | Bennigan's | Dallas, Texas | Dinner House | Pillsbury Co. | May | 500.0 | 450.0 | 425.0 |
| 38 | 46 | Subway Sandwiches & Salads | Milford, Conn. | Sandwiches | Doctors Associates Inc. | Dec. | 500.0 | 360.0 | 140.0 |
| 39 | 37 | Western Sizzlin' | Augusta, Ga. | Steak House | Western Sizzlin' Inc. | Oct. | 487.5 | 466.2 | 442.6 |
| 40 | 38 | Popeye's Famous Fried Chicken | Jefferson, La. | Chicken | A. Copeland Enterprises | Oct. | 485.0 | 460.0 | 400.0 |
| 41 | 41 | Golden Corral | Raleigh, N.C. | Steak House | Investors Management Corp. | Dec. | 470.7 | 428.8 | 362.0 |
| 42 | 40 | Chi-Chi's | Louisville, Ky. | Dinner House | Foodmaker Inc. | Sept. | 468.0 | 440.0 | 415.0 |
| 43 | 43 | Dobbs[1] | Memphis, Tenn. | Contract | Greyhound Corp. | Dec. | 449.2 | 419.8 | 386.3 |
| 44 | 44 | Hyatt Hotels | Chicago, Ill. | Hotel | Hyatt Hotels Corp. | Jan. | 443.0 | 408.1 | 349.6 |
| 45 | 45 | T.G.I. Friday's | Dallas, Texas | Dinner House | Carlson Cos. | Jan. | 405.0 | 364.0 | 349.0 |
| 46 | 49 | Carl's Jr. | Anaheim, Calif. | Hamburger | Carl Karcher Enterprises | Jan. | 399.3 | 343.6 | 335.7 |
| 47 | 47 | Rax | Columbus, Ohio | Roast Beef | Rax Restaurants Inc. | July | 390.0 | 358.3 | 328.9 |
| 48 | 42 | El Torito | Irvine, Calif. | Dinner House | Restaurant Enterprises Group | Dec. | 378.0 | 420.0 | 390.0 |
| 49 | 48 | Perkins | Memphis, Tenn. | Fam. Rest. | Perkins Family Restaurants | Dec. | 370.0 | 343.7 | 315.0 |
| 50 | 50 | Sky Chefs | Arlington, Texas | Contract | Onex Corp. | Dec. | 352.7 | 333.4 | 416.4 |

## Explanation of column headings

- **Rank:** The 1988 rank is based on systemwide sales for each chain's fiscal 1988. The 1987 rank is based on revised data for the prior fiscal year. Because of adjustments, the 1986 rankings are not the same as those on the Top 100 Chain ranking that appeared in Nation's Restaurant News' issue of August 3, 1987.

- **Chain:** The name of the restaurant, hotel, or contract-feeding entity as it appears on signage, logos, or other trademarked identifications.

- **Chain headquarters:** The location of each chain's central operating offices, which can be different from the locale of parent companies' main offices.

- **Concept:** Type of restaurant operated by the chain, as classified by menu items or the sort of market served. "Fam. Rest." stands for family restaurant, a segment often also characterized as the coffee-shop market.

- **Parent company:** Owner of a chain's trademarks, licensing rights, or copyrights. Often, the parent company is the franchisor.

- **Fiscal year ends:** The month in which a chain's fiscal 1988 concludes.

- **Systemwide sales:** Net domestic food-and-beverage sales of all units operating under a chain's name. Included is the intake of all company and franchised restaurants. Figures for hotels, airport concession operators, and in-store feeders are limited to food-service sales. Contract feeders' tallies exclude vending revenues.

  Systemwide sales are presented for three years: fiscal 1988, fiscal 1987, and fiscal 1986.

- **Source:** Figures were either provided by the chains, or determined by NRN research.

# NOTE

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# FOCUS | TOP 100

## TOP 100 CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1988 | Rank 1987 | Chain | Chain Headquarters | Concept | Parent Company | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|---|---|---|
| 51 | 53 | Sonic Drive-In | Oklahoma City, Okla. | Hamburger | Sonic Industries Inc. | Aug. | 350.0 | 301.5 | 290.6 |
| 52 | 52 | Ramada Inns | Phoenix, Ariz. | Hotel | Ramada Inc. | Jan. | 343.0 | 302.0 | 360.6 |
| 53 | 55 | Disneyland/Disneyworld | Burbank, Calif. | Theme Park | Walt Disney Co. | Sept. | 334.0 | 290.0 | 265.8 |
| 54 | 51 | Pizza Inn | Dallas, Texas | Pizza | Pantera's Corp. | June | 330.0 | 310.0 | 278.7 |
| 55 | 54 | Int'l House of Pancakes | North Hollywood, Calif. | Fam. Rest. | IHOP Corp. | Dec. | 328.7 | 297.5 | 265.6 |
| 56 | 61 | Whataburger | San Antonio, Texas | Hamburger | Whataburger Inc. | Sept. | 310.0 | 260.0 | 230.0 |
| 57 | 63 | Morrison Custom Management | Mobile, Ala. | Contract | Morrison Inc. | May | 305.0 | 253.0 | 244.0 |
| 58 | 58 | Radisson Hotels | Minneapolis, Minn. | Hotel | Carlson Cos. | Dec. | 301.4 | 277.4 | 160.0 |
| 59 | 56 | White Castle | Columbus, Ohio | Hamburger | White Castle System, Inc. | Dec. | 300.0 | 282.6 | 268.5 |
| 60 | 57 | Morrison's Cafeterias | Mobile, Ala. | Cafeteria | Morrison Inc. | May | 295.0 | 277.9 | 262.3 |
| 61 | 64 | Round Table Pizza | San Francisco, Calif. | Pizza | Round Table Franchise Corp. | June | 280.7 | 250.0 | 228.0 |
| 62 | 62 | Furr's Cafeterias | Lubbock, Texas | Cafeteria | Cavalcade Foods, Inc. | Dec. | 270.0 | 256.0 | 290.0 |
| 63 | 65 | Howard Johnson | South Weymouth, Mass. | Fam. Rest. | Franchise Assoc., Inc. | April | 265.0 | 250.0 | 292.5 |
| 64 | 69 | Ground Round | South Weymouth, Mass. | Dinner House | Hanson Trust Plc. | Oct. | 260.0 | 227.7 | 212.5 |
| 65 | 72 | Bob Evans Farms | Columbus, Ohio | Fam. Rest. | Bob Evans Farms Inc. | April | 259.2 | 221.3 | 176.3 |
| 66 | 68 | Luby's Cafeteria | San Antonio, Texas | Cafeteria | Luby's Cafeterias Inc. | Aug. | 254.0 | 232.8 | 215.1 |
| 67 | 79 | Chili's Grill & Bar | Dallas, Texas | Dinner House | Chili's Inc. | June | 253.0 | 193.0 | 123.0 |
| 68 | 59 | Godfather's Pizza | Omaha, Neb. | Pizza | Pillsbury Co.[2] | May | 245.0 | 275.0 | 260.0 |
| 69 | 76 | Ogden Allied Services | New York, N.Y. | Contract | Ogden Corp. | Dec. | 241.0 | 210.0 | 187.0 |
| 70 | 67 | ShowBiz/Chuck E. Cheese | Irving, Texas | Pizza | Integra | Dec. | 240.0 | 236.0 | 240.0 |
| 71 | 81 | Ryan's | Greer, S.C. | Steak House | Ryan's Family Steak House | Dec. | 240.0 | 185.0 | 125.0 |
| 72 | 75 | Piccadilly Cafeterias | Baton Rouge, La. | Cafeteria | Piccadilly Cafeterias, Inc. | June | 235.0 | 217.0 | 206.0 |
| 73 | 71 | Quincy's | Spartanburg, S.C. | Steak House | TW Services Inc. | Dec. | 235.0 | 221.5 | 207.4 |
| 74 | 70 | Woolworth | New York, N.Y. | In-Store | F.W. Woolworth Co. | Jan. | 234.0 | 225.0 | 216.0 |
| 75 | 74 | Village Inn | Denver, Colo. | Fam. Rest. | Vicorp Inc. | Oct. | 232.0 | 218.0 | 206.0 |
| 76 | 77 | Marie Callender's Pie Shops | Orange, Calif. | Fam. Rest. | Ramada Inc. | Dec. | 230.5 | 206.4 | 204.0 |
| 77 | 73 | Carvel | Yonkers, N.Y. | Ice Cream | Carvel Corp. | Dec. | 228.7 | 220.0 | 208.0 |
| 78 | 78 | Chick-fil-A | Atlanta, Ga. | Chicken | Chick-fil-A Inc. | Dec. | 226.0 | 202.7 | 182.8 |
| 79 | 66 | Steak and Ale | Dallas, Texas | Dinner House | Pillsbury Co. | May | 225.0 | 250.0 | 260.0 |
| 80 | 93 | Seiler Corp. | Waltham, Mass. | Contract | Sodexho | Aug. | 225.0 | 165.0 | 160.0 |
| 81 | 80 | Waffle House | Norcross, Ga. | Fam. Rest. | Waffle House Inc. | June | 210.0 | 189.4 | 174.9 |
| 82 | 83 | Grandy's | Lewisville, Texas | Chicken | American Restaurant Group | Dec. | 200.0 | 182.5 | 176.5 |
| 83 | 88 | Quality Inns | Silver Spring, Md. | Hotel | Manor Care Inc. | May | 194.0 | 177.0 | 150.0 |
| 84 | 89 | Sportservice | Buffalo, N.Y. | Contract | Delaware North Cos. | Dec. | 193.0 | 174.0 | 149.7 |
| 85 | 84 | Daka | Wakefield, Mass. | Contract | Daka Inc.[3] | June | 191.0 | 182.0 | 148.0 |
| 86 | 96 | Bakers Square | Chicago, Ill. | Fam. Rest. | Vicorp Inc. | Oct. | 190.0 | 156.0 | 130.3 |
| 87 | 60 | Stuart Anderson's | Los Altos, Calif. | Dinner House | American Restaurant Group | Dec. | 190.0 | 265.0 | 261.0 |
| 88 | 82 | Krystal | Chattanooga, Tenn. | Hamburger | Krystal Co. | Dec. | 186.0 | 184.0 | 174.0 |
| 89 | 90 | Country Kitchen | Minneapolis, Minn. | Fam. Rest. | Carlson Cos. | Dec. | 184.0 | 172.0 | 161.0 |
| 90 | 92 | Circle K | Phoenix, Ariz. | C. Store | Circle K Corp. | April | 183.2 | 169.0 | 134.6 |
| 91 | 86 | Wyatt Cafeterias | Dallas, Texas | Cafeteria | Wyatt Cafeterias Inc. | Dec. | 181.0 | 178.5 | 184.5 |
| 92 | 85 | Bojangles' Chicken 'n Biscuits | Charlotte, N.C. | Chicken | Horn & Hardart Co.[4] | Dec. | 180.0 | 180.0 | 195.0 |
| 93 | 95 | Concession Air | Grand Prairie, Texas | Contract | Delaware North Cos. | Dec. | 180.0 | 160.0 | 37.8 |
| 94 | 91 | Western Steer | Claremont, N.C. | Steak House | Western Steer-Mom 'n' Pop's | Feb. | 179.6 | 170.6 | 166.2 |
| 95 | 100 | Fuddruckers | San Antonio, Texas | Hamburger | Fuddruckers Inc.[5] | Dec. | 178.0 | 142.5 | 110.5 |
| 96 | 94 | Coco's | Irvine, Calif. | Fam. Rest. | Restaurant Enterprise Group | Dec. | 168.0 | 162.0 | 150.7 |
| 97 | 97 | A&W | Dearborn, Mich. | Hamburger | A&W Restaurants Inc. | Dec. | 162.0 | 154.0 | 156.0 |
| 98 | 98 | Ogden Allied Aviation Services | New York, N.Y. | Contract | Ogden Corp. | Dec. | 160.0 | 148.0 | 127.5 |
| 99 | 87 | Po' Folks | Nashville, Tenn. | Fam. Rest. | Po' Folks Inc. | Sept. | 160.0 | 178.0 | 197.2 |
| 100 | 99 | Houlihan's | Kansas City, Mo. | Dinner House | Restaurant Enterprises Group | Dec. | 153.0 | 146.0 | 125.0 |
| TOTALS: | | | | | | | $82,400.6 | $75,837.7 | $67,439.0 |

Source: NRN Research

## Footnotes

[1]Encompasses Dobbs International, the inflight feeder; Dobbs Houses, which operates airport concessions; and Carson International, which operates concessions within Chicago's O'Hare Airport.

[2]Pillsbury is negotiating a sale of Godfather's Pizza to a group led by chain president Herman Cain and executive vice president Ron Gartlan.

[3]Daka Inc. has agreed to merge with Fuddruckers Inc. As a result, the parent company of the Daka contract feeding business could change.

[4]Horn & Hardart has agreed to sell Bojangles' to Greenville, S.C.-based Carabo Inc. for $20 million.

[5]Fuddruckers Inc. has agreed to merge with Daka Inc. As a result, the parent company of the Fuddruckers hamburger chain could change.

# FOCUS | TOP 100

## TOP 100 COMPANIES RANKED BY FISCAL 1988 REVENUES

| Rank 1988 | Rank 1987 | Company | Fiscal Year Ends | Concept(s) | SALES (by Fiscal Year in Millions) Current | Last Full | Previous |
|---|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's Corp. | Dec. | McDonald's | $ 5,470.0 | $ 4,894.0 | $ 4,240.0 |
| 2 | 2 | Marriott Corp.[1] | Dec. | Roy Rogers, Big Boy, contract feeding, Marriott Hotels | 5,280.0 | 4,724.3 | 3,773.2 |
| 3 | 3 | Pepsico Inc. | Dec. | Kentucky Fried Chicken, Taco Bell, Pizza Hut | 4,800.0 | 4,200.0 | 2,600.0 |
| 4 | 5 | TW Services Inc. | Dec. | Denny's, Hardee's, El Pollo Loco, Quincy's | 3,517.0 | 2,492.2 | 1,918.0 |
| 5 | 4 | Pillsbury Co.[2] | May | Burger King, Steak & Ale, Bennigans, Godfathers | 2,700.0 | 2,764.0 | 2,663.0 |
| 6 | 6 | General Mills Inc. | May | Red Lobster, Olive Garden, York Steakhouses | 1,750.0 | 1,500.0 | 1,250.0 |
| 7 | 7 | Imasco Ltd. | Dec. | Hardee's, Grisanti's | 1,600.0 | 1,360.0 | 1,180.0 |
| 8 | 9 | ARA Services Inc. | Sept. | ARA Services | 1,251.7 | 1,145.0 | 1,013.7 |
| 9 | 8 | Restaurant Enterprises Group Inc. | Dec. | El Torito, Carrow's, Coco's, Houlihan's | 1,220.0 | 1,240.0 | 1,115.0 |
| 10 | 10 | Wendy's International | Jan. | Wendy's | 1,075.0 | 1,058.6 | 1,139.9 |
| 11 | 11 | Domino's Pizza Inc. | Dec. | Domino's Pizza, Pizza Express | 990.0 | 883.8 | 721.6 |
| 12 | 17 | Foodmaker Inc.[3] | Sept. | Jack in the Box, Chi-Chi's | 960.0 | 598.3 | 556.5 |
| 13 | 12 | Carlson Cos. | Dec. | T.G.I. Fridays, Dait's, Radisson Hotels, Country Kitchen | 896.0 | 819.2 | 741.5 |
| 14 | 29 | Greyhound Corp. | Dec. | Contract, Burger King | 780.0 | 370.0 | 330.0 |
| 15 | 16 | Morrison Inc. | May | Morrison's Cafeterias, contract feeding, Ruby Tuesdays, L&M Seafood Grill, Silver Spoon Cafe, Sadie's Cafe | 760.0 | 602.0 | 524.0 |
| 16 | 13 | Servam Corp. | July | Service America | 718.6 | 690.9 | 677.4 |
| 17 | 14 | Shoney's Inc. | Oct. | Shoney's, Lee's Famous Recipe, Captain D's | 678.0 | 616.0 | 558.0 |
| 18 | 20 | Collins Foods International Inc. | April | Sizzler, Kentucky Fried Chicken | 615.0 | 566.5 | 522.0 |
| 19 | 19 | Jerrico Inc. | June | Long John Silver's, Jerry's Restaurants, Florenz | 614.2 | 567.1 | 531.7 |
| 20 | 18 | Hershey Corp. | Dec. | Friendly | 605.0 | 572.4 | 536.0 |
| 21 | 22 | American Restaurant Group Inc | Dec. | Stuart Anderson's, Grandy's, Velvet Turtle, Spectrum, Spoons | 550.0 | 500.0 | 450.0 |
| 22 | 21 | Metromedia Inc.[4] | Feb. | Ponderosa Steakhouses | 515.3 | 534.8 | 490.3 |
| 23 | 23 | Aoki Corp. | April | Westin Hotels | 512.0 | 472.1 | 460.2 |
| 24 | 31 | Doctors Associates | Dec. | Subway Sandwiches | 500.0 | 360.0 | 50.4 |
| 25 | 24 | Western Sizzlin' | Oct. | Western Sizzlin' Steakhouse | 487.5 | 466.2 | 442.6 |
| 26 | 25 | Investors Management Corp. | Dec. | Golden Corral, Oh! Brian's, Church's Chicken | 461.0 | 446.1 | 382.2 |
| 27 | 26 | Hyatt Hotels Corp. | Jan. | Hyatt Hotels | 443.0 | 408.1 | 349.6 |
| 28 | 28 | Nestles SA | Dec. | Stouffer Restaurants, Cheese Cellar, Rusty Scupper, J.B. Winberry, Stouffer Hotels | 440.0 | 394.0 | 585.0 |
| 29 | 30 | Carl Karcher Enterprises | Jan. | Carl's Jr. | 435.0 | 369.5 | 317.0 |
| 30 | 36 | Elias Bros. Restaurants | Dec. | Big Boy, Top Hat Contracting | 405.0 | 325.0 | 310.0 |
| 31 | 32 | Ogden Corp. | Dec. | Ogden Allied Service, Ogden Allied Aviation | 401.0 | 358.5 | 315.0 |
| 32 | 27 | Church's Fried Chicken Inc. | Dec. | Church's Chicken | 386.0 | 400.5 | 480.5 |
| 33 | 33 | Delaware North Cos. Inc. | Dec. | Concession Air, Sportservice | 373.0 | 334.0 | 270.0 |
| 34 | 34 | Onex Corp. | Dec. | Sky Chefs, Southwest Dining Services | 357.7 | 333.4 | 416.4 |
| 35 | 35 | Manor Care Inc. | May | Quality Inns, nursing homes | 348.1 | 326.1 | 313.6 |
| 36 | 38 | Walt Disney Co. | Sept. | Amusement concessions | 334.0 | 290.0 | 265.8 |
| 37 | 37 | Vicorp Inc. | Oct. | Bakers Square, Village Inn | 330.0 | 312.0 | 421.5 |
| 38 | 42 | Whataburger Inc. | Sept. | Whataburger | 310.0 | 260.0 | 230.0 |
| 39 | 39 | White Castle System Inc. | Dec. | White Castle | 300.0 | 282.6 | 268.5 |
| 40 | 52 | Sodexho | Aug. | Seiler Corp, Food Dimensions Inc., Boatel | 300.0 | 204.2 | 167.6 |
| 41 | 40 | Boddie-Noell Enterprises | Sept. | Hardee's | 289.0 | 268.0 | 246.0 |
| 42 | 15 | Southland Corp. | | 7-Eleven | 285.6 | 604.5 | 558.4 |
| 43 | 43 | Cavalcade Foods Inc. | Dec. | Furr's Cafeteria, Bishop Buffet | 270.0 | 256.0 | |
| 44 | 41 | Holiday Corp. | Dec. | Holiday Inn, Embassy Suites, Harrah's | 262.1 | 260.4 | 268.5 |
| 45 | 45 | Hanson Trust Plc. | Oct. | Ground Round | 260.0 | 227.7 | 182.9 |
| 46 | 48 | Bob Evans Farms Inc. | April | Bob Evans Farms, Owens Family Restaurant | 259.2 | 221.3 | 176.3 |
| 47 | 50 | TPI Enterprises[5] | Dec. | Shoney's, Captain Dee's | 254.9 | 212.5 | 198.1 |
| 48 | 44 | Luby's Cafeterias Inc. | Aug. | Luby's Cafeterias | 254.0 | 232.8 | 215.1 |
| 49 | 47 | Riese Organization | April | Pizza Hut, Roy Rogers, Dunkin' Donuts, Godfathers | 250.0 | 225.0 | 200.0 |
| 50 | 61 | Little Caesars Enterprises Inc. | Dec. | Little Caesars | 248.0 | 180.0 | 130.9 |

## Explanation of column headings

- **Rank:** The 1988 rank is based on food-service revenues for each company's fiscal 1988. The 1987 rank is based on revised data for the prior fiscal year. Because of adjustments, the 1986 rankings are not the same as those on the Top 100 Chain ranking that appeared in Nation's Restaurant News' issue of August 3, 1987.

- **Company:** The name of the corporate entity which receives food-service revenue.

- **Key concepts:** The names of the chains or the type of food-service activity which produces food-service revenues for the company.

- **Fiscal year ends:** The month in which the fiscal year terminates, often correlating to those of the company's key concepts.

- **Revenue:** The figure includes only revenues from food-service operations. Reflected in the tally are sales from company-operated facilities; franchise fees; and gains and losses from asset divestitures and acquisitions routinely encountered in the operation of a food-service business. Excluded are sales of franchised facilities and revenues and sales generated by manufacturing, wholesale and distribution subsidiaries. Revenue is presented for three years: fiscal 1988, fiscal 1987, and fiscal 1986.

- **Source:** Figures were derived from company reports, input from analysts, and original research by NRN.

# FOCUS | TOP 100

## TOP 100 COMPANIES RANKED BY FISCAL 1988 REVENUES

| Rank 1988 | Rank 1987 | Company | Fiscal Year Ends | Concept(s) | SALES (by Fiscal Year in Millions) Current | Last Full | Previous |
|---|---|---|---|---|---|---|---|
| 51 | 51 | International Dairy Queen Inc. | Nov. | Dairy Queen, Orange Julius, Karmel Korn, Golden Skillet | 241.0 | 210.6 | 183.3 |
| 52 | 49 | Piccadilly Cafeterias Inc. | June | Piccadilly Cafeterias | 235.0 | 217.0 | 206.0 |
| 53 | 46 | F.W. Woolworth Inc. | Jan. | In-Store, Burger King | 234.0 | 225.0 | 188.0 |
| 54 | 66 | Paragon Restaurant Group | Oct. | Carlos Murphy's, Hungry Hunter, Mountain Jack's | 233.0 | 162.0 | 160.0 |
| 55 | 53 | Chick-fil-A | Dec. | Chick-fil-A | 226.0 | 202.0 | 182.8 |
| 56 | 63 | Chili's Inc. | June | Chili's Grill & Bar, Flyer's, Taco Cabana | 209.2 | 177.2 | 123.7 |
| 57 | 55 | ITT Corp. | Dec. | Sheraton Hotels | 207.7 | 194.2 | 186.4 |
| 58 | 56 | Ramada Inc. | Jan. | Ramada Inns, Marie Callender's Pie Shops, Tropicana | 202.2 | 188.9 | 182.8 |
| 59 | 54 | Restaurants Associates Industries | Dec. | Acapulco, Charlie Brown's, The Office Restaurant, Mama Leone's | 201.0 | 196.0 | 154.0 |
| 60 | 64 | Carrols Corp. | Dec. | Burger King | 200.0 | 171.8 | 136.4 |
| 61 | 70 | Ryan's Family Steak Houses Inc. | Dec. | Ryan's | 200.0 | 155.2 | 105.0 |
| 62 | 59 | Specialty Restaurants Corp. | June | 94th Squadron, Baby Doe's, Crawdaddy's, Castaway | 200.0 | 183.0 | 169.0 |
| 63 | 60 | Daka Inc.[6] | June | Contract, Elgio Sub Shops | 191.0 | 182.0 | 148.0 |
| 64 | 58 | Krystal Co. | Dec. | Krystal, Po' Folks | 186.0 | 184.0 | 174.0 |
| 65 | 62 | Wyatt Cafeterias Inc. | Dec. | Wyatt Cafeteria's | 181.0 | 178.5 | 184.5 |
| 66 | 73 | Fuddruckers Inc.[7] | Dec. | Fuddruckers | 178.0 | 142.5 | 110.5 |
| 67 | 86 | Horn & Hardart Co.[8] | Dec. | Burger King, Arby's, Tony Roma's, International King's Table, Din-O-Mat | 170.0 | 107.3 | 147.2 |
| 68 | 67 | Integra—A Hotel and Restaurant Co.[9] | Dec. | Showbiz/Chuck E. Cheese, Monterey House, Holiday Inn | 169.0 | 159.0 | 126.0 |
| 69 | 71 | Hilton Hotels Corp. | Dec. | Hilton Hotels, Conrad International, Hilton Suites, Cresthil by Hilton | 166.0 | 154.8 | 146.4 |
| 70 | 65 | DeNovo Corp. | Dec. | Dog 'N Suds, Tastee Freez International | 161.0 | 163.5 | 164.0 |
| 71 | 72 | Brown Derby Inc. | May | Brown Derby | 148.5 | 148.0 | 148.0 |
| 72 | 74 | Perkins Family Restaurants L.P. | Dec. | Perkins | 148.3 | 134.8 | 114.0 |
| 73 | 69 | Harman Management Corp. | June | Kentucky Fried Chicken | 145.0 | 156.0 | 153.0 |
| 74 | 68 | Winchell's Donut Houses L.P. | Dec. | Winchell's | 143.6 | 158.5 | 171.8 |
| 75 | 82 | National Pizza Co. | March | Pizza Hut | 140.0 | 119.8 | 96.5 |
| 76 | 77 | Unigate Restaurants | Dec. | Taco Bueno, Casa Bonita, Black-Eyed Pea | 138.7 | 130.0 | 90.0 |
| 77 | 75 | Frisch's Restaurants Inc. | May | Big Boy, Roy Rogers | 137.5 | 133.0 | 130.0 |
| 78 | 78 | DWG Corp. | April | Arby's | 135.0 | 129.2 | 123.9 |
| 79 | 81 | Braum's Ice Cream & Dairy Stores | Dec. | Braum's Ice Cream | 134.0 | 124.0 | 118.0 |
| 80 | 76 | Club Corp. International | Dec. | Clubs and Resorts | 133.0 | 130.0 | 121.0 |
| 81 | 89 | J.B.'s Restaurants | Sept. | J.B.'s, J.B.'s Big Boy | 130.0 | 105.5 | 107.5 |
| 82 | 84 | Papa Gino's of America | Sept. | Papa Gino's Pizza | 130.0 | 117.0 | 104.0 |
| 83 | 79 | Cracker Barrel Old Country Store | July | Cracker Barrel | 128.0 | 128.0 | 98.0 |
| 84 | 80 | Rax Restaurants Inc. | July | Rax | 128.0 | 124.0 | 122.1 |
| 85 | 90 | Abela Enterprises U.S. Inc. | Dec. | Wood Co. | 120.0 | 102.0 | 91.6 |
| 86 | 88 | RTM Inc. | May | Arby's | 115.0 | 105.6 | 84.0 |
| 87 | 83 | Walgreen Co.[10] | Aug. | Walgreen Restaurants, Wag's Family Restaurants | 115.0 | 119.3 | 121.0 |
| 88 | 93 | Sbarro Inc. | Dec. | Sbarro | 114.1 | 86.7 | 58.5 |
| 89 | 87 | Dunkin' Donuts | Oct. | Dunkin' Donuts, Chili's Grill & Bar | 111.0 | 105.6 | 104.2 |
| 90 | 85 | Winners Corp. | Dec. | Mrs. Winner's Chicken, Wendy's | 102.0 | 112.2 | 116.2 |
| 91 | 91 | Consolidated Products Inc. | Sept. | Steak 'n Shake, Carlos Sweeney's, Jeremiah Sweeney's, Snak's Park Avenue, Santini's Italian Cafe | 97.8 | 90.0 | 86.3 |
| 92 | 57 | Jamco Ltd. | Sept. | Mr. Steak, Mr. Steak's Grill | 95.0 | 185.0 | 130.0 |
| 93 | 94 | Waffle House Inc. | May | Waffle House | 91.7 | 84.6 | 78.1 |
| 94 | 95 | Western Steer—Mom 'n' Pop's Inc. | Feb. | Western Steer Family Steak, Prime Sirloin Steak & Seafood | 90.4 | 82.9 | 62.9 |
| 95 | 92 | El Chico Corp. | May | El Chico Restaurants, Cuellar's Cafe | 88.0 | 88.2 | 93.7 |
| 96 | 97 | Skipper's Inc. | Dec. | Skipper's Seafood 'n Chowder | 81.4 | 79.8 | 78.8 |
| 97 | 100 | A. Copeland Enterprises | Oct. | Popeye's | 80.0 | 65.9 | 63.0 |
| 98 | 99 | Sybra Inc. | Dec. | Arby's | 79.3 | 69.6 | 62.6 |
| 99 | 98 | IHOP Corp. | Dec. | International House of Pancakes | 76.9 | 74.9 | 76.2 |
| 100 | 96 | Consul Restaurants Corp. | May | Chi Chi's Mexican, Chi Chi's El Pronto, Magnolia Cafe | 75.5 | 80.0 | 75.0 |
| | | Total: | | | $54,470.2 | $48,574.2 | $41,936.8 |

Source: NRN Research

## Footnotes

[1]Figures do not include revenues from the Bickford's and Wag's family restaurant chain, which Marriott has agreed to buy in seperate deals later this year.

[2]Figures include revenues from Godfather's Pizza, Quik Wok, and Key West Grill, which Pillsbury is seeking to sell. The company has stated that the sales are imminent.

[3]To facilitate comparisons, Foodmaker's revenues are presented as if the company owned Chi-Chi's for all of fiscal 1988, when in fact the concern purchased the Mexican chain in February 1988.

[4]To facilitate comparisons, Metromedia's revenues are presented as if the company owned Ponderosa for all of fiscal 1988, when in fact Metromedia acquired the chain from Pons Partners several months ago, in fiscal 1989. Metromedia has no other food-service holdings.

[5]To facilitate comparisons, TPI Enterprises' revenues are presented as if the concern has owned for all of fiscal 1988 the restaurant operator formerly known as Shoney's South. In fact, TPI acquired the Shoney's franchisee in the midst of the year.

[6]Daka has agreed to merge with Fuddruckers Inc., which ranks as number 66 on the Top 100 Companies chart. Daka's figures do not include Fuddruckers' revenues.

[7]Fuddruckers has agreed to merge with Daka, which ranks as number 63 on the Top 100 Companies chart. Fuddruckers' figures do not include Daka's revenues.

[8]Horn & Hardart has agreed to sell its largest food-service holdings, the Bojangles' Chicken 'n Biscuits chain, to Greenville, S.C.-based Carabo Inc.

Horn & Hardart's revenue figures are presented as if the company has owned the King's Table buffet chain for all of fiscal 1988, when in fact the concern purchased the restaurant system in March.

[9]Integra—A Hotel and Restaurant Co. was formerly known as Brock Hotel Corp. It changed its name in May.

[10]Walgreen has agreed to sell its Wags family restaurant chain to Marriott Corp.

# FOCUS | TOP 100

## TOP 100 CHAINS RANKED BY NUMBER OF UNITS

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Number of Units 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Dec. | 10,420 | 9,911 | 9,410 |
| 2 | 3 | Kentucky Fried Chicken | Dec. | 7,800 | 7,522 | 6,575 |
| 3 | 2 | 7-Eleven | Dec. | 7,200 | 8,200 | 7,700 |
| 4 | 4 | Pizza Hut | Dec. | 5,900 | 5,400 | 5,100 |
| 5 | 5 | Burger King | May | 5,500 | 5,179 | 4,743 |
| 6 | 6 | Dairy Queen | Nov. | 5,080 | 5,005 | 4,933 |
| 7 | 7 | Domino's Pizza | Dec. | 4,700 | 4,279 | 3,605 |
| 8 | 9 | Circle K | April | 4,077 | 3,507 | 3,372 |
| 9 | 8 | Wendy's | Jan. | 3,950 | 3,816 | 3,727 |
| 10 | 10 | Baskin-Robbins | Dec. | 3,372 | 3,311 | 3,145 |
| 11 | 13 | Subway Sandwiches & Salads | Dec. | 3,000 | 2,000 | 1,178 |
| 12 | 11 | Hardee's | Dec. | 3,000 | 2,912 | 2,711 |
| 13 | 12 | Taco Bell | Dec. | 2,726 | 2,710 | 2,443 |
| 14 | 16 | Little Caesars Pizza | Dec. | 2,375 | 1,820 | 1,308 |
| 15 | 15 | Arby's | Dec. | 2,100 | 1,851 | 1,683 |
| 16 | 14 | Marriott Food & Services Management | Dec. | 1,956 | 1,896 | 1,891 |
| 17 | 17 | Dunkin' Donuts | Oct. | 1,810 | 1,669 | 1,539 |
| 18 | 18 | Canteen Corp. | Dec. | 1,765 | 1,630 | 1,586 |
| 19 | 19 | ARA Services | Sept. | 1,730 | 1,600 | 1,450 |
| 20 | 20 | Holiday Inns | Dec. | 1,579 | 1,599 | 1,641 |
| 21 | 22 | Long John Silver's | June | 1,488 | 1,420 | 1,388 |
| 22 | 21 | Church's Chicken | Dec. | 1,450 | 1,495 | 1,532 |
| 23 | 23 | Denny's | June | 1,210 | 1,175 | 1,140 |
| 24 | 26 | Service America Corp. | July | 1,038 | 938 | 945 |
| 25 | 25 | Sonic Drive-In | Aug. | 978 | 948 | 948 |
| 26 | 28 | Jack in the Box | Sept. | 970 | 897 | 849 |
| 27 | 24 | Big Boy | Dec. | 960 | 960 | 911 |
| 28 | 27 | Woolworth | Jan. | 940 | 927 | 943 |
| 29 | 29 | Carvel | Dec. | 897 | 880 | 864 |
| 30 | 30 | Quality Inns | May | 877 | 848 | 767 |
| 31 | 31 | Friendly | Dec. | 860 | 842 | 829 |
| 32 | 32 | Morrison Custom Management | May | 840 | 895 | 708 |
| 33 | 33 | Pizza Inn | June | 775 | 710 | 650 |
| 34 | 34 | Popeye's Famous Fried Chicken | Oct. | 739 | 703 | 618 |
| 35 | 35 | Ponderosa Steakhouses | Feb. | 690 | 653 | 615 |
| 36 | 36 | Ramada Inns | Jan. | 678 | 643 | 571 |
| 37 | 37 | Shoney's | Oct. | 660 | 604 | 542 |
| 38 | 39 | Bonanza | Dec. | 650 | 600 | 563 |
| 39 | 40 | Western Sizzlin' | Oct. | 615 | 590 | 568 |
| 40 | 41 | Roy Rogers | Dec. | 610 | 556 | 552 |
| 41 | 99 | Waffle House | June | 600 | 650 | 600 |
| 42 | 42 | Sizzler | April | 587 | 548 | 488 |
| 43 | 38 | Godfather's | May | 580 | 600 | 650 |
| 44 | 46 | Round Table Pizza | June | 575 | 515 | 500 |
| 45 | 44 | Rax | July | 555 | 520 | 498 |
| 46 | 43 | A&W | Dec. | 539 | 524 | 547 |
| 47 | 52 | Seiler Corp. | Aug. | 530 | 400 | 370 |
| 48 | 45 | Golden Corral | Dec. | 505 | 516 | 480 |
| 49 | 47 | Sheraton Hotels | Dec. | 479 | 487 | 503 |
| 50 | 48 | Int'l House of Pancakes | Dec. | 475 | 454 | 448 |
| 51 | 49 | Whataburger | Sept. | 470 | 445 | 410 |
| 52 | 50 | Carl's Jr. | Jan. | 444 | 436 | 456 |
| 53 | 51 | Daka | June | 430 | 400 | 327 |
| 54 | 53 | Red Lobster | May | 400 | 389 | 382 |
| 55 | 54 | Chick-fil-A | Dec. | 393 | 363 | 346 |
| 56 | 55 | Perkins | Dec. | 345 | 334 | 328 |
| 57 | 56 | Howard Johnson | April | 320 | 320 | 390 |
| 58 | 58 | Hilton Hotels | Dec. | 274 | 271 | 266 |
| 59 | 57 | Village Inn | Oct. | 272 | 272 | 259 |
| 60 | 59 | ShowBiz/Chuck E. Cheese | Dec. | 265 | 265 | 274 |
| 61 | 60 | Country Kitchen | Dec. | 260 | 251 | 251 |
| 62 | 62 | White Castle | Dec. | 249 | 229 | 220 |
| 63 | 61 | Krystal | Dec. | 235 | 243 | 236 |
| 64 | 67 | Grandy's | Dec. | 227 | 200 | 197 |
| 65 | 63 | Bojangles' Chicken 'n Biscuits | Dec. | 220 | 220 | 276 |
| 66 | 64 | Quincy's Family Steak House | Dec. | 215 | 215 | 218 |
| 67 | 69 | Ground Round | Oct. | 215 | 191 | 199 |
| 68 | 65 | Bennigan's | May | 215 | 207 | 196 |
| 69 | 73 | Bob Evans Farms | April | 201 | 175 | 150 |
| 70 | 70 | Western Steer | Feb. | 192 | 184 | 186 |
| 71 | 68 | Chi-Chi's | Sept. | 191 | 195 | 180 |
| 72 | 71 | Marriott Hotels | Dec. | 188 | 177 | 165 |
| 73 | 100 | Disneyland/Disneyworld | Sept. | 185 | 182 | 185 |
| 74 | 66 | El Torito | Dec. | 180 | 203 | 196 |
| 75 | 75 | Radisson Hotels | Dec. | 165 | 158 | 135 |
| 76 | 76 | Morrison's Cafeterias | May | 164 | 156 | 153 |
| 77 | 72 | Steak and Ale | May | 160 | 175 | 175 |
| 78 | 74 | Po' Folks | Sept. | 155 | 170 | 176 |
| 79 | 79 | Bakers Square | Oct. | 154 | 138 | 116 |
| 80 | 77 | Furr's Cafeterias | Dec. | 153 | 151 | 167 |
| 81 | 78 | Coco's | Dec. | 153 | 150 | 153 |
| 82 | 82 | Sportservice | Dec. | 153 | 133 | 115 |
| 83 | 81 | Marie Callender's Pie Shops | Dec. | 151 | 135 | 124 |
| 84 | 80 | Ogden Allied Services | Dec. | 147 | 137 | 125 |
| 85 | 88 | Chili's Grill & Bar | June | 140 | 114 | 80 |
| 86 | 89 | Fuddruckers | Dec. | 137 | 114 | 105 |
| 87 | 87 | Hyatt Hotels | Jan. | 135 | 116 | 85 |
| 88 | 83 | T.G.I. Friday's | Jan. | 135 | 128 | 125 |
| 89 | 86 | Piccadilly Cafeterias | June | 124 | 116 | 108 |
| 90 | 84 | Wyatt Cafeterias | Dec. | 122 | 119 | 120 |
| 91 | 92 | Ryan's Family Steak | Dec. | 121 | 95 | 70 |
| 92 | 91 | Luby's Cafeteria | Aug. | 113 | 103 | 94 |
| 93 | 90 | Marriott In-Flite Services/Host | Dec. | 108 | 108 | 110 |
| 94 | 85 | Stuart Anderson's | Dec. | 85 | 118 | 117 |
| 95 | 93 | Dobbs | Dec. | 69 | 67 | 64 |
| 96 | 94 | Westin Hotels | April | 61 | 54 | 62 |
| 97 | 95 | Houlihan's | Dec. | 55 | 54 | 53 |
| 98 | 96 | Concession Air | Dec. | 49 | 47 | 19 |
| 99 | 97 | Sky Chefs | Dec. | 35 | 34 | 58 |
| 100 | 98 | Ogden Allied Aviation Services | Dec. | 18 | 16 | 16 |
| | | Total: | | 113,038 | 107,498 | 100,345 |

Source: NRN Research

## TOP 100 CHAINS RANKED BY SALES PER UNIT

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Sky Chefs | Dec. | $10,100.0 | $9,810.0 | $7,180.0 |
| 2 | 2 | Marriott In-Flite Services/Host | Dec. | 9,490.0 | 8,800.0 | 7,470.0 |
| 3 | 3 | Westin Hotels | April | 8,401.0 | 8,759.0 | 7,800.0 |
| 4 | 4 | Dobbs | Dec. | 6,510.0 | 6,270.0 | 6,040.0 |
| 5 | 5 | Marriott Hotels | Dec. | 5,212.0 | 4,943.0 | 4,478.0 |
| 6 | 8 | Hilton Hotels | Dec. | 3,700.0 | 3,120.0 | 2,730.0 |
| 7 | 7 | Concession Air | Dec. | 3,670.0 | 3,400.0 | 1,990.0 |
| 8 | 6 | Hyatt Hotels | Jan. | 3,280.0 | 3,510.0 | 4,120.0 |
| 9 | 12 | Sheraton Hotels | Dec. | 3,077.0 | 2,498.0 | 2,373.0 |
| 10 | 9 | T.G.I. Friday's | Jan. | 3,000.0 | 2,900.0 | 2,900.0 |
| 11 | 10 | Houlihan's | Dec. | 2,780.0 | 2,700.0 | 2,500.0 |
| 12 | 11 | Red Lobster | May | 2,600.0 | 2,500.0 | 2,400.0 |
| 13 | 15 | Chi-Chi's | Sept. | 2,450.0 | 2,200.0 | 2,200.0 |
| 14 | 13 | Luby's Cafeteria | Aug. | 2,347.0 | 2,384.0 | 2,421.0 |
| 15 | 14 | Ryan's Family Steak | Dec. | 2,250.0 | 2,344.0 | 2,159.0 |
| 16 | 16 | Stuart Anderson's | Dec. | 2,200.0 | 2,200.0 | 2,200.0 |
| 17 | 17 | Bennigan's | May | 2,200.0 | 2,200.0 | 2,200.0 |
| 18 | 18 | El Torito | Dec. | 2,100.0 | 2,069.0 | 2,100.0 |
| 19 | 19 | Chili's Grill & Bar | June | 1,990.0 | 1,970.0 | 1,880.0 |
| 20 | 20 | Piccadilly Cafeterias | June | 1,950.0 | 1,900.0 | 1,900.0 |
| 21 | 21 | Morrison's Cafeterias | May | 1,900.0 | 1,830.0 | 1,740.0 |
| 22 | 22 | Radisson Hotels | Dec. | 1,826.0 | 1,755.0 | 1,185.0 |
| 23 | 23 | Furr's Cafeterias | Dec. | 1,764.7 | 1,695.3 | 1,736.5 |
| 24 | 35 | Disneyland/Disneyworld | Sept. | 1,705.0 | 1,236.0 | 1,140.0 |
| 25 | 25 | Ogden Allied Services | Dec. | 1,640.0 | 1,530.0 | 1,500.0 |
| 26 | 24 | Marie Callender's Pie Shops | Dec. | 1,612.0 | 1,588.0 | 1,650.0 |
| 27 | 26 | McDonald's | Dec. | 1,570.0 | 1,502.0 | 1,369.0 |
| 28 | 27 | Wyatt Cafeterias | Dec. | 1,500.0 | 1,500.0 | 1,600.0 |
| 29 | 31 | Sizzler | April | 1,460.0 | 1,312.0 | 1,237.0 |
| 30 | 29 | Bob Evans Farms | April | 1,400.0 | 1,370.0 | 1,355.0 |
| 31 | 28 | Steak and Ale | May | 1,400.0 | 1,400.0 | 1,500.0 |
| 32 | 30 | Shoney's | Oct. | 1,365.0 | 1,361.0 | 1,344.0 |
| 33 | 34 | Bakers Square | Oct. | 1,300.0 | 1,240.0 | 1,182.0 |
| 34 | 37 | Ground Round | Oct. | 1,300.0 | 1,192.0 | 1,068.0 |
| 35 | 33 | Fuddruckers | Dec. | 1,300.0 | 1,250.0 | 1,050.0 |
| 36 | 32 | Sportservice | Dec. | 1,260.0 | 1,310.0 | 1,300.0 |
| 37 | 36 | White Castle | Dec. | 1,204.8 | 1,234.1 | 1,220.6 |
| 38 | 38 | Perkins | Dec. | 1,160.0 | 1,118.0 | 1,019.0 |
| 39 | 40 | Big Boy | Dec. | 1,100.0 | 1,070.0 | 1,070.0 |
| 40 | 39 | Coco's | Dec. | 1,100.0 | 1,082.0 | 989.0 |
| 41 | 44 | Quincy's Family Steak House | Dec. | 1,093.0 | 1,030.0 | 952.0 |
| 42 | 42 | Denny's | June | 1,090.0 | 1,059.0 | 1,028.3 |
| 43 | 45 | Burger King | May | 1,035.0 | 1,017.0 | 1,009.0 |
| 44 | 43 | Po' Folks | Sept. | 1,030.0 | 1,050.0 | 1,500.0 |
| 45 | 41 | Ponderosa Steakhouses | Feb. | 1,025.0 | 1,061.0 | 949.0 |
| 46 | 46 | 7-Eleven | Dec. | 1,000.0 | 980.0 | 551.4 |
| 47 | 52 | Marriott Food & Services Management | Dec. | 969.9 | 897.2 | 597.6 |
| 48 | 48 | Western Steer | Feb. | 966.0 | 921.0 | 899.0 |
| 49 | 49 | Bonanza | Dec. | 960.0 | 918.0 | 840.0 |
| 50 | 61 | Carl's Jr. | Jan. | 939.8 | 772.0 | 739.0 |
| 51 | 51 | Roy Rogers | Dec. | 935.0 | 900.0 | 875.0 |
| 52 | 54 | Hardee's | Dec. | 930.0 | 877.0 | 837.0 |
| 53 | 50 | Grandy's | Dec. | 926.0 | 917.0 | 987.0 |
| 54 | 56 | Golden Corral | Dec. | 922.6 | 861.6 | 786.7 |
| 55 | 55 | Village Inn | Oct. | 918.0 | 873.0 | 848.0 |
| 56 | 53 | ShowBiz/Chuck E. Cheese | Dec. | 905.7 | 890.5 | 875.9 |
| 57 | 59 | Jack in the Box | Sept. | 900.0 | 797.4 | 723.7 |
| 58 | 47 | Ogden Allied Aviation Services | Dec. | 890.0 | 930.0 | 800.0 |
| 59 | 58 | Whataburger | Sept. | 840.0 | 800.0 | 760.0 |
| 60 | 57 | Bojangles' Chicken 'n Biscuits | Dec. | 818.0 | 818.0 | 640.0 |
| 61 | 63 | Howard Johnson | April | 795.0 | 750.0 | 750.0 |
| 62 | 60 | Western Sizzlin | Oct. | 792.7 | 790.2 | 779.2 |
| 63 | 62 | Krystal | Dec. | 790.0 | 750.0 | 733.0 |
| 64 | 64 | Wendy's | Jan. | 780.0 | 741.0 | 754.0 |
| 65 | 66 | ARA Services | Sept. | 723.5 | 715.6 | 699.1 |
| 66 | 67 | Popeye's Famous Fried Chicken | Oct. | 720.0 | 710.0 | 730.0 |
| 67 | 68 | Rax | July | 715.0 | 702.0 | 689.0 |
| 68 | 69 | Friendly | Dec. | 715.0 | 683.0 | 689.0 |
| 69 | 65 | Service America Corp. | July | 692.3 | 736.6 | 716.8 |
| 70 | 71 | Int'l House of Pancakes | Dec. | 692.0 | 655.2 | 592.8 |
| 71 | 70 | Kentucky Fried Chicken | Dec. | 672.0 | 659.0 | 623.0 |
| 72 | 73 | Arby's | Dec. | 650.0 | 625.0 | 600.0 |
| 73 | 72 | Country Kitchen | Dec. | 648.0 | 641.0 | 622.0 |
| 74 | 75 | Taco Bell | Dec. | 636.4 | 579.0 | 560.0 |
| 75 | 76 | Chick-fil-A | Dec. | 600.0 | 574.4 | 539.7 |
| 76 | 74 | Circle K | April | 561.4 | 601.9 | |
| 77 | 80 | Pizza Hut | Dec. | 540.0 | 510.0 | 500.0 |
| 78 | 77 | Long John Silver's | June | 534.3 | 526.8 | 515.0 |
| 79 | 79 | Canteen Corp. | Dec. | 524.5 | 510.8 | 480.7 |
| 80 | 78 | Holiday Inns | Dec. | 523.3 | 519.6 | 512.2 |
| 81 | 81 | Round Table Pizza | June | 515.0 | 500.0 | 490.0 |
| 82 | 82 | Ramada Inns | Jan. | 505.9 | 469.6 | 630.4 |
| 83 | 83 | Dunkin' Donuts | Oct. | 484.0 | 465.3 | 454.4 |
| 84 | 86 | Pizza Inn | June | 450.0 | 430.0 | 457.0 |
| 85 | 84 | Daka | June | 441.2 | 455.0 | 452.6 |
| 86 | 85 | Domino's Pizza | Dec. | 439.0 | 432.0 | 480.0 |
| 87 | 87 | Seiler Corp. | Aug. | 424.5 | 412.5 | 432.4 |
| 88 | 89 | Little Caesars Pizza | Dec. | 421.0 | 398.4 | 397.6 |
| 89 | 88 | Godfather's Pizza | May | 414.0 | 490.0 | 375.0 |
| 90 | 90 | Dairy Queen | Nov. | 401.3 | 375.0 | 349.0 |
| 91 | 93 | Morrison Custom Management | May | 363.1 | 314.3 | 344.6 |
| 92 | 91 | Church's Chicken | Dec. | 360.0 | 361.1 | 391.4 |
| 93 | 92 | Sonic Drive-In | Aug. | 355.0 | 318.0 | 310.0 |
| 94 | 94 | Waffle House | June | 350.0 | 303.0 | 306.0 |
| 95 | 95 | A&W | Dec. | 300.6 | 293.9 | 285.2 |
| 96 | 96 | Carvel | Dec. | 255.0 | 250.0 | 241.0 |
| 97 | 97 | Woolworth | Jan. | 249.0 | 243.0 | 6,040.0 |
| 98 | 98 | Quality Inns | May | 221.2 | 208.7 | 195.5 |
| 99 | 99 | Baskin-Robbins | Dec. | 188.4 | 179.4 | 172.5 |
| 100 | 100 | Subway Sandwiches & Salads | Dec. | 167.0 | 172.0 | |
| | | Average: | | $ 1,478.8 | $1,423.8 | $1,373.9 |

# FOCUS | TOP 100

## DIRECTORY OF TOP 100 CHAINS

| Chain | Parent Company | Systemwide Sales Rank 1988 | Systemwide Sales Rank 1987 | Sales Per Unit Rank 1988 | Sales Per Unit Rank 1987 | Number of Units Rank 1988 | Number of Units Rank 1987 |
|---|---|---|---|---|---|---|---|
| 7-Eleven | Southland Corp. | 32 | 27 | 46 | 46 | 3 | 2 |
| ARA Services | ARA Services Inc. | 12 | 13 | 65 | 66 | 19 | 19 |
| Arby's | DWG Corp. | 14 | 15 | 72 | 73 | 15 | 15 |
| A&W | A&W Restaurants Inc. | 97 | 97 | 95 | 95 | 46 | 43 |
| Bakers Square | Vicorp Inc. | 86 | 96 | 33 | 34 | 79 | 79 |
| Baskin-Robbins | Allied-Lyons PLC | 30 | 31 | 99 | 99 | 10 | 10 |
| Bennigan's | Pillsbury Co. | 37 | 39 | 17 | 17 | 68 | 65 |
| Big Boy | Elias Bros. Restaurants | 15 | 14 | 39 | 40 | 27 | 24 |
| Bob Evans Farms | Bob Evans Farms Inc. | 65 | 72 | 30 | 29 | 69 | 73 |
| Bojangles' Chicken 'n Biscuits | Horn & Hardart Co. | 92 | 85 | 60 | 57 | 65 | 63 |
| Bonanza | Usacafes L.P. | 33 | 34 | 49 | 4 | 38 | 39 |
| Burger King | Pillsbury Co. | 2 | 2 | 43 | 4 | 5 | 5 |
| Canteen Corp. | TW Services Inc. | 20 | 19 | 79 | 79 | 18 | 18 |
| Carl's Jr. | Carl Karcher Enterprises | 46 | 49 | 50 | 61 | 52 | 50 |
| Carvel | Carvel Corp. | 77 | 73 | 96 | 96 | 29 | 29 |
| Chi-Chi's | Foodmaker Inc. | 42 | 40 | 13 | 15 | 71 | 68 |
| Chick-fil-A | Chick-fil-A Inc. | 78 | 78 | 75 | 76 | 55 | 54 |
| Chili's Grill & Bar | Chili's Inc. | 67 | 79 | 19 | 19 | 85 | 88 |
| Church's Chicken | Church's Fried Chicken Inc. | 35 | 33 | 92 | 91 | 22 | 21 |
| Circle K | Circle K Corp. | 90 | 92 | 76 | 74 | 8 | 9 |
| Coco's | Restaurant Enterprise Group | 96 | 94 | 40 | 39 | 81 | 78 |
| Concession Air | Delaware North Cos. | 93 | 95 | 7 | 7 | 98 | 96 |
| Country Kitchen | Carlson Cos. | 89 | 90 | 73 | 72 | 61 | 60 |
| Dairy Queen | International Dairy Queen | 8 | 8 | 90 | 90 | 6 | 6 |
| Daka | Daka Inc. | 85 | 84 | 85 | 84 | 53 | 51 |
| Denny's | TW Services Inc. | 13 | 11 | 42 | 42 | 23 | 23 |
| Disneyland/Disneyworld | Walt Disney Co. | 53 | 55 | 24 | 35 | 73 | 100 |
| Dobbs | Greyhound Corp. | 43 | 43 | 4 | 4 | 95 | 93 |
| Domino's Pizza | Domino's Pizza Inc. | 7 | 7 | 86 | 85 | 7 | 7 |
| Dunkin' Donuts | Dunkin Donuts Inc. | 23 | 23 | 83 | 83 | 17 | 17 |
| El Torito | Restaurant Enterprises Group | 48 | 42 | 18 | 18 | 74 | 66 |
| Friendly | Hershey Corp. | 31 | 32 | 68 | 69 | 31 | 31 |
| Fuddruckers | Fuddruckers Inc. | 95 | 100 | 35 | 33 | 86 | 89 |
| Furr's Cafeterias | Calvacade Foods, Inc. | 62 | 62 | 23 | 23 | 80 | 77 |
| Godfather's Pizza | Pillsbury Co. | 68 | 59 | 89 | 88 | 43 | 38 |
| Golden Corral | Investors Management Corp. | 41 | 41 | 54 | 56 | 48 | 45 |
| Grandy's | American Restaurant Group | 82 | 83 | 53 | 50 | 64 | 67 |
| Ground Round | Hanson Trust Plc. | 64 | 69 | 34 | 37 | 67 | 69 |
| Hardee's | Imasco Ltd. | 4 | 4 | 52 | 54 | 12 | 11 |
| Hilton Hotels | Hilton Corp. | 22 | 21 | 6 | 8 | 58 | 58 |
| Holiday Inns | Holiday Corp. | 21 | 20 | 80 | 78 | 20 | 20 |
| Houlihan's | Restaurant Enterprises Group | 100 | 99 | 11 | 10 | 97 | 95 |
| Howard Johnson | Franchise Assoc. Inc. | 63 | 65 | 61 | 63 | 57 | 56 |
| Hyatt Hotels | Hyatt Hotels Corp. | 44 | 44 | 8 | 6 | 87 | 87 |
| Int'l House of Pancakes | IHOP Corp. | 55 | 54 | 70 | 71 | 50 | 48 |
| Jack in the Box | Foodmaker Inc. | 24 | 28 | 57 | 59 | 26 | 28 |
| Kentucky Fried Chicken | Pepsico Inc. | 3 | 3 | 71 | 70 | 2 | 3 |
| Krystal | Krystal Co. | 88 | 82 | 63 | 62 | 63 | 61 |
| Little Caesars Pizza | Little Caesars Enterprises | 18 | 24 | 88 | 89 | 14 | 16 |
| Long John Silver's | Jerrico Inc. | 26 | 22 | 78 | 77 | 21 | 22 |
| Luby's Cafeteria | Luby's Cafeterias Inc. | 66 | 68 | 14 | 13 | 92 | 91 |
| Marie Callender's Pie Shops | Ramada Inc. | 76 | 77 | 26 | 24 | 83 | 81 |
| Marriott Food & Services Management | Marriott Corp. | 9 | 9 | 47 | 52 | 16 | 14 |
| Marriott Hotels | Marriott Corp. | 19 | 18 | 5 | 5 | 72 | 71 |
| Marriott In-Flite Services/ Host | Marriott Corp. | 16 | 17 | 2 | 2 | 93 | 90 |
| McDonald's | McDonald's Corp. | 1 | 1 | 27 | 26 | 1 | 1 |
| Morrison Custom Management | Morrison Inc. | 57 | 63 | 91 | 93 | 32 | 32 |
| Morrison's Cafeterias | Morrison Inc. | 60 | 57 | 21 | 21 | 76 | 76 |
| Ogden Allied Aviation Services | Ogden Corp. | 98 | 98 | 58 | 47 | 100 | 98 |
| Ogden Allied Services | Ogden Corp. | 69 | 76 | 25 | 25 | 84 | 80 |
| Perkins | Perkins Family Restaurants L | 49 | 48 | 38 | 38 | 56 | 55 |
| Piccadilly Cafeterias | Piccadilly Cafeterias Inc. | 72 | 75 | 20 | 20 | 89 | 86 |
| Pizza Hut | Pepsico Inc. | 6 | 6 | 77 | 80 | 4 | 4 |
| Pizza Inn | Pantera's Corp. | 54 | 51 | 84 | 86 | 33 | 33 |
| Ponderosa Steakhouses | Metromedia | 29 | 29 | 45 | 41 | 35 | 35 |
| Popeye's Famous Fried Chicken | A. Copeland Enterprises | 40 | 38 | 66 | 67 | 34 | 34 |
| Po' Folks | Po' Folks Inc. | 99 | 87 | 44 | 43 | 78 | 74 |
| Quality Inns | Manor Care Inc. | 83 | 88 | 98 | 98 | 30 | 30 |
| Quincy's Family Steak House | TW Services | 73 | 71 | 41 | 44 | 66 | 64 |
| Radisson Hotels | Carlson Cos. | 58 | 58 | 22 | 22 | 75 | 75 |
| Ramada Inns | Ramada Inc. | 52 | 52 | 82 | 82 | 36 | 36 |
| Rax | Rax Restaurants Inc. | 47 | 47 | 67 | 68 | 45 | 44 |
| Red Lobster | General Mills Inc. | 17 | 16 | 12 | 11 | 54 | 53 |
| Round Table Pizza | Round Table Franchise Corp. | 61 | 64 | 81 | 81 | 44 | 46 |
| Roy Rogers | Marriott Corp. | 34 | 35 | 51 | 51 | 40 | 41 |
| Ryan's Family Steak | Ryan's Family Steak House | 71 | 81 | 15 | 14 | 91 | 92 |
| Seiler Corp. | Sodexho | 80 | 93 | 87 | 87 | 47 | 52 |
| Service America Corp. | Servam Corp. | 28 | 26 | 69 | 65 | 24 | 26 |
| Sheraton Hotels | ITT Corp. | 11 | 12 | 9 | 12 | 49 | 47 |
| Shoney's | Shoney's Inc. | 25 | 25 | 32 | 30 | 37 | 37 |
| ShowBiz/Chuck E. Cheese | Integra | 70 | 67 | 56 | 53 | 60 | 59 |
| Sizzler | Collins Foods International | 27 | 30 | 29 | 31 | 42 | 42 |
| Sky Chefs | Onex Corp. | 50 | 50 | 1 | 1 | 99 | 97 |
| Sonic Drive-In | Sonic Industries Inc. | 51 | 53 | 93 | 92 | 25 | 25 |
| Sportservice | Delaware North Cos. | 84 | 89 | 36 | 32 | 82 | 82 |
| Steak and Ale | Pillsbury Co. | 79 | 66 | 31 | 28 | 77 | 72 |
| Stuart Anderson's | American Restaurant Group | 87 | 60 | 16 | 16 | 94 | 85 |
| Subway Sandwiches & Salads | Doctors Associates Inc. | 38 | 46 | 100 | 100 | 11 | 13 |
| Taco Bell | Pepsico Inc. | 10 | 10 | 74 | 75 | 13 | 12 |
| T.G.I. Friday's | Carlson Cos. | 45 | 45 | 10 | 9 | 88 | 83 |
| Village Inn | Vicorp Inc. | 75 | 74 | 55 | 55 | 59 | 57 |
| Waffle House | Waffle House Inc. | 81 | 80 | 94 | 94 | 41 | 99 |
| Wendy's | Wendy's International | 5 | 5 | 64 | 64 | 9 | 8 |
| Western Sizzlin' | Western Sizzlin Inc. | 39 | 37 | 62 | 60 | 39 | 40 |
| Western Steer | Western Steer-Mom 'n' Pop's | 94 | 91 | 48 | 48 | 70 | 70 |
| Westin Hotels | Aoki Corp. | 36 | 36 | 3 | 3 | 96 | 94 |
| Whataburger | Whataburger Inc. | 56 | 61 | 59 | 58 | 51 | 49 |
| White Castle | White Castle System, Inc. | 59 | 56 | 37 | 36 | 62 | 62 |
| Woolworth | F.W. Woolworth Co. | 74 | 70 | 97 | 97 | 28 | 27 |
| Wyatt Cafeterias | Wyatt Cafeterias Inc. | 91 | 86 | 28 | 27 | 90 | 84 |

# NRN's TOP 100: WHO, WHAT, WHEN, WHERE, WHY & HOW

*How the Top 100 rankings come to be, and how readers can use the data*

The NRN Top 100 is the food-service industry's most comprehensive and reliable statistical profile of leading chains and companies, with the top players assessed and ranked in a variety of ways.

The research project began in January. The reporters and editors of Nation's Restaurant News, using systemwide sales figures from recent years as a yardstick, selected a few hundred of the industry's largest chains and companies from a universe of several thousand contenders.

Those operators who survived the cut were then contacted, first by mail, subsequently by telephone, and occasionally in person, and asked to supply key measures of their respective performances in fiscal 1988.

The data sought from chains included systemwide sales, sales per unit, and number of units. Projections were solicited from those candidates whose fiscal 1988 was still in progress.

Companies were also asked to specify their food-service revenues, which, within the context of the NRN Top 100, differ greatly from systemwide sales. Revenues exclude the intake of franchised units, whereas systemwide sales encompass the intake of all units—franchised and company operated—making up a given chain.

The figures were augmented with input from financial analysts, industry studies, and a variety of other sources.

The data were collated, reviewed, and organized by NRN staffers to yield the Top 100 Chains, a list of the 100 leading restaurant chains ranked by systemwide sales in their respective 1988 fiscal years.

Also drafted was the Top 100 Companies, a list of the 100 leading companies ranked by food-service revenues.

The Top 100 chains were also ranked according to a variety of other criteria, including number of units, sales per unit, and market share.

Each chain's place on the main Top 100 chart can be quickly determined by glancing at the Top 100 Directory on page F29.

For the first time, this year's Top 100 study was expanded to rank the leading chains by their year-to-year growth in a number of areas, including systemwide sales, number of units, and sales per unit.

Companies were ranked by fiscal 1988 revenues and market share.

The concerns were also ranked by year-to-year revenue growth.

Figures were extrapolated from the Top 100 Chains list to show year-to-year changes in the fortunes of top contenders within nine major market segments. Included for each Top 100 chain competing within those fields are fiscal 1988 results or projections for share of market, systemwide sales, sales per unit, and number of units.

Complementing the NRN Top 100's more than 30 pages of statistics are capsule profiles of the Top 100 chains and their plans for weathering what the numbers indicate is a daunting industry environment.

Strict criteria and exacting procedures were followed throughout the research project. As a result, last year's projections for the Top 100's 1987 aggregate sales missed the true mark by only 2.5 percent. NRN has revised the original figure of $73.963 billion to $75.837 billion.

Similarly, NRN's prediction for the growth of the Top 100 from 1986 to 1987 differed from the actual figure by 2.2 percent. NRN Research projected a 10.3-percent rise in nominal sales for the Top 100 chains, when in fact the increase was 12.5 percent.

The 1987 figures will be revised for a second time next year, and 1988 statistics will be adjusted for comparison purposes in the 1989 NRN Top 100 rankings.

**Top 100 Rankings**

**Chains:**

By systemwide sales ..... F9
By number of units ..... F24
By sales per unit ..... F24
By market share ..... F30
By growth in systemwide sales F30
By growth in number of units F32
By growth in sales per unit . F32

**Companies:**

By food-service revenues .. F16
By market share ..... F34
By growth in food-service revenues ..... F34

# FOCUS | TOP 100

## TOP 100 RESTAURANT CHAINS RANKED BY MARKET SHARE

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Market Share 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Dec. | 19.11% | 18.90% | 18.43% |
| 2 | 2 | Burger King | May | 6.43 | 6.59 | 6.67 |
| 3 | 3 | Kentucky Fried Chicken | Dec. | 5.22 | 5.41 | 5.19 |
| 4 | 4 | Hardee's | Dec. | 4.00 | 4.04 | 3.97 |
| 5 | 5 | Wendy's | Jan. | 3.64 | 3.78 | 4.07 |
| 6 | 6 | Pizza Hut | Dec. | 3.64 | 3.43 | 3.35 |
| 7 | 7 | Domino's Pizza | Dec. | 2.79 | 2.61 | 2.32 |
| 8 | 8 | Dairy Queen | Nov. | 2.47 | 2.48 | 2.55 |
| 9 | 9 | Marriott Food & Services Mgmt. | Dec. | 2.30 | 2.24 | 1.68 |
| 10 | 10 | Taco Bell | Dec. | 2.11 | 2.03 | 1.98 |
| 11 | 12 | Sheraton Hotels | Dec. | 1.79 | 1.65 | 1.77 |
| 12 | 13 | ARA Services | Sept. | 1.52 | 1.51 | 1.50 |
| 13 | 11 | Denny's | June | 1.52 | 1.67 | 1.79 |
| 14 | 15 | Arby's | Dec. | 1.27 | 1.30 | 1.31 |
| 15 | 14 | Big Boy | Dec. | 1.25 | 1.35 | 1.45 |
| 16 | 17 | Marriott In-Flite Services/Host | Dec. | 1.24 | 1.25 | 1.22 |
| 17 | 16 | Red Lobster | May | 1.21 | 1.29 | 1.30 |
| 18 | 24 | Little Caesars Pizza | Dec. | 1.21 | 0.96 | 0.77 |
| 19 | 18 | Marriott Hotels | Dec. | 1.19 | 1.15 | 1.10 |
| 20 | 19 | Canteen Corp. | Dec. | 1.12 | 1.10 | 1.13 |
| 21 | 20 | Holiday Inns | Dec. | 1.00 | 1.10 | 1.25 |
| 22 | 21 | Hilton Hotels | Dec. | 1.00 | 1.08 | 1.07 |
| 23 | 23 | Dunkin' Donuts | Oct. | 0.98 | 0.96 | 0.96 |
| 24 | 28 | Jack in the Box | Sept. | 0.95 | 0.86 | 0.87 |
| 25 | 25 | Shoney's | Oct. | 0.95 | 0.95 | 0.96 |
| 26 | 22 | Long John Silver's | June | 0.92 | 0.97 | 1.03 |
| 27 | 30 | Sizzler | April | 0.91 | 0.83 | 0.75 |
| 28 | 26 | Service America Corp. | July | 0.87 | 0.91 | 1.00 |
| 29 | 29 | Ponderosa Steakhouses | Feb. | 0.85 | 0.86 | 0.89 |
| 30 | 31 | Baskin-Robbins | Dec. | 0.77 | 0.78 | 0.80 |
| 31 | 32 | Friendly | Dec. | 0.73 | 0.75 | 0.79 |
| 32 | 27 | 7-Eleven | Dec. | 0.73 | 0.89 | 0.89 |
| 33 | 34 | Bonanza | Dec. | 0.72 | 0.70 | 0.68 |
| 34 | 35 | Roy Rogers | Dec. | 0.70 | 0.69 | 0.73 |
| 35 | 33 | Church's Chicken | Dec. | 0.63 | 0.70 | 0.86 |
| 36 | 36 | Westin Hotels | April | 0.62 | 0.62 | 0.68 |
| 37 | 39 | Bennigan's | May | 0.61 | 0.59 | 0.63 |
| 38 | 46 | Subway Sandwiches & Salads | Dec. | 0.61 | 0.47 | 0.21 |
| 39 | 37 | Western Sizzlin' | Oct. | 0.59 | 0.61 | 0.66 |
| 40 | 38 | Popeye's Famous Fried Chicken | Oct. | 0.59 | 0.61 | 0.59 |
| 41 | 41 | Golden Corral | Dec. | 0.57 | 0.57 | 0.54 |
| 42 | 40 | Chi-Chi's | Sept. | 0.57 | 0.58 | 0.62 |
| 43 | 43 | Dobbs | Dec. | 0.55 | 0.55 | 0.57 |
| 44 | 44 | Hyatt Hotels | Jan. | 0.54 | 0.54 | 0.52 |
| 45 | 45 | T.G.I. Friday's | Jan. | 0.49 | 0.48 | 0.52 |
| 46 | 49 | Carl's Jr. | Jan. | 0.48 | 0.45 | 0.50 |
| 47 | 47 | Rax | July | 0.47 | 0.47 | 0.49 |
| 48 | 42 | El Torito | Dec. | 0.46 | 0.55 | 0.58 |
| 49 | 48 | Perkins | Dec. | 0.45 | 0.45 | 0.47 |
| 50 | 50 | Sky Chefs | Dec. | 0.43 | 0.44 | 0.62 |
| 51 | 53 | Sonic Drive-In | Aug. | 0.42 | 0.40 | 0.43 |
| 52 | 52 | Ramada Inns | Jan. | 0.42 | 0.40 | 0.53 |
| 53 | 55 | Disneyland/Disneyworld | Sept. | 0.41 | 0.38 | 0.39 |
| 54 | 51 | Pizza Inn | June | 0.40 | 0.41 | 0.41 |
| 55 | 54 | Int'l House of Pancakes | Dec. | 0.40 | 0.39 | 0.39 |
| 56 | 61 | Whataburger | Sept. | 0.38 | 0.34 | 0.34 |
| 57 | 63 | Morrison Custom Management | May | 0.37 | 0.33 | 0.36 |
| 58 | 58 | Radisson Hotels | Dec. | 0.37 | 0.37 | 0.24 |
| 59 | 56 | White Castle | Dec. | 0.36 | 0.37 | 0.40 |
| 60 | 57 | Morrison's Cafeterias | May | 0.36 | 0.37 | 0.39 |
| 61 | 64 | Round Table Pizza | June | 0.34 | 0.33 | 0.34 |
| 62 | 62 | Furr's Cafeterias | Dec. | 0.33 | 0.34 | 0.43 |
| 63 | 65 | Howard Johnson | April | 0.32 | 0.33 | 0.43 |
| 64 | 69 | Ground Round | Oct. | 0.32 | 0.30 | 0.32 |
| 65 | 72 | Bob Evans Farms | April | 0.31 | 0.29 | 0.26 |
| 66 | 68 | Luby's Cafeteria | Aug. | 0.31 | 0.31 | 0.32 |
| 67 | 79 | Chili's Grill & Bar | June | 0.31 | 0.25 | 0.18 |
| 68 | 59 | Godfather's | May | 0.30 | 0.36 | 0.39 |
| 69 | 76 | Ogden Allied Aviation Services | Dec. | 0.29 | 0.28 | 0.28 |
| 70 | 67 | ShowBiz/Chuck E. Cheese | Dec. | 0.29 | 0.31 | 0.36 |
| 71 | 81 | Ryan's Family Steak | Dec. | 0.29 | 0.24 | 0.19 |
| 72 | 75 | Piccadilly Cafeterias | June | 0.29 | 0.29 | 0.31 |
| 73 | 71 | Quincy's Family Steak House | Dec. | 0.29 | 0.29 | 0.31 |
| 74 | 70 | Woolworth | Jan. | 0.28 | 0.30 | 0.32 |
| 75 | 74 | Village Inn | Oct. | 0.28 | 0.29 | 0.31 |
| 76 | 77 | Marie Callender's Pie Shops | Dec. | 0.28 | 0.27 | 0.30 |
| 77 | 73 | Carvel | Dec. | 0.28 | 0.29 | 0.31 |
| 78 | 78 | Chick-fil-A | Dec. | 0.27 | 0.27 | 0.27 |
| 79 | 66 | Steak and Ale | May | 0.27 | 0.33 | 0.39 |
| 80 | 93 | Seiler Corp. | Aug. | 0.27 | 0.22 | 0.24 |
| 81 | 80 | Waffle House | June | 0.25 | 0.25 | 0.26 |
| 82 | 83 | Grandy's | Dec. | 0.24 | 0.24 | 0.26 |
| 83 | 88 | Quality Inns | May | 0.24 | 0.23 | 0.22 |
| 84 | 89 | Sportservice | Dec. | 0.23 | 0.23 | 0.22 |
| 85 | 84 | Daka | June | 0.23 | 0.24 | 0.22 |
| 86 | 96 | Bakers Square | Oct. | 0.23 | 0.21 | 0.19 |
| 87 | 60 | Stuart Anderson's | Dec. | 0.23 | 0.35 | 0.39 |
| 88 | 82 | Krystal | Dec. | 0.23 | 0.24 | 0.26 |
| 89 | 90 | Country Kitchen | Dec. | 0.22 | 0.23 | 0.24 |
| 90 | 92 | Circle K | April | 0.22 | 0.22 | 0.20 |
| 91 | 86 | Wyatt Cafeterias | Dec. | 0.22 | 0.24 | 0.27 |
| 92 | 95 | Concession Air | Dec. | 0.22 | 0.21 | 0.06 |
| 93 | 85 | Bojangles' Chicken 'n Biscuits | Dec. | 0.22 | 0.24 | 0.29 |
| 94 | 91 | Western Steer | Feb. | 0.22 | 0.22 | 0.25 |
| 95 | 100 | Fuddruckers | Dec. | 0.22 | 0.19 | 0.16 |
| 96 | 94 | Coco's | Dec. | 0.20 | 0.21 | 0.22 |
| 97 | 97 | A&W | Dec. | 0.20 | 0.20 | 0.23 |
| 98 | 98 | Ogden Allied Services | Dec. | 0.19 | 0.20 | 0.19 |
| 99 | 87 | Po' Folks | Sept. | 0.19 | 0.23 | 0.29 |
| 100 | 99 | Houlihan's | Dec. | 0.19 | 0.19 | 0.19 |

Source: NRN Research

## FASTEST GROWING FOOD-SERVICE CHAINS

(Ranked by % change in avg. sales per unit, '88 vs. '87)

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Percent Change |
|---|---|---|---|---|
| 1 | 25 | Disneyland/Disneyworld | Sept. | 37.94% |
| 2 | 35 | Sheraton Hotels | Dec. | 23.18 |
| 3 | 41 | Carl's Jr. | Jan. | 21.74 |
| 4 | 12 | Hilton Hotels | Dec. | 18.59 |
| 5 | 95 | Morrison Custom Management | May | 15.53 |
| 6 | 82 | Waffle House | June | 15.51 |
| 7 | 18 | Jack in the Box | Sept. | 12.87 |
| 8 | 54 | Sonic Drive-In | Aug. | 11.64 |
| 9 | 80 | Chi-Chi's | Sept. | 11.36 |
| 10 | 33 | Sizzler | April | 11.28 |
| 11 | 47 | Taco Bell | Dec. | 9.91 |
| 12 | 15 | Ground Round | Oct. | 9.06 |
| 13 | 5 | Marriott Food & Services Management | Dec. | 8.10 |
| 14 | 4 | Concession Air | Dec. | 7.94 |
| 15 | 10 | Marriott In-Flite Services/Host | Dec. | 7.84 |
| 16 | 98 | Ramada Inns | Jan. | 7.73 |
| 17 | 62 | Ogden Allied Services | Dec. | 7.19 |
| 18 | 21 | Golden Corral | Dec. | 7.08 |
| 19 | 28 | Dairy Queen | Nov. | 7.01 |
| 20 | 26 | Quincy's Family Steak House | Dec. | 6.12 |
| 21 | 40 | Hardee's | Dec. | 6.04 |
| 22 | 74 | Howard Johnson | April | 6.00 |
| 23 | 29 | Quality Inns | May | 5.99 |
| 24 | 61 | Pizza Hut | Dec. | 5.88 |
| 25 | 73 | Little Caesars Pizza | Dec. | 5.67 |
| 26 | 16 | Int'l House of Pancakes | Dec. | 5.62 |
| 27 | 17 | Marriott Hotels | Dec. | 5.44 |
| 28 | 58 | Krystal | Dec. | 5.33 |
| 29 | 85 | Wendy's | Jan. | 5.26 |
| 30 | 51 | Village Inn | Oct. | 5.15 |
| 31 | 44 | Baskin-Robbins | Dec. | 5.02 |
| 32 | 36 | Whataburger | Sept. | 5.00 |
| 33 | 55 | Western Steer | Feb. | 4.89 |
| 34 | 38 | Bakers Square | Oct. | 4.84 |
| 35 | 81 | Friendly | Dec. | 4.69 |
| 36 | 90 | Pizza Inn | June | 4.65 |
| 37 | 23 | Bonanza | Dec. | 4.58 |
| 38 | 20 | McDonald's | Dec. | 4.53 |
| 39 | 31 | Chick-fil-A | Dec. | 4.46 |
| 40 | 86 | Furr's Cafeterias | Dec. | 4.09 |
| 41 | 6 | Radisson Hotels | Dec. | 4.05 |
| 42 | 56 | Dunkin' Donuts | Oct. | 4.02 |
| 43 | 9 | Fuddruckers | Dec. | 4.00 |
| 44 | 42 | Arby's | Dec. | 4.00 |
| 45 | 43 | Red Lobster | May | 4.00 |
| 46 | 52 | Roy Rogers | Dec. | 3.89 |
| 47 | 45 | Dobbs | Dec. | 3.83 |
| 48 | 37 | Morrison's Cafeterias | May | 3.83 |
| 49 | 19 | Perkins | Dec. | 3.76 |
| 50 | 30 | Godfather's Pizza | May | 3.50 |
| 51 | 79 | T.G.I. Friday's | Jan. | 3.45 |
| 52 | 60 | Round Table Pizza | June | 3.00 |
| 53 | 27 | Houlihan's | Dec. | 2.96 |
| 54 | 7 | Sky Chefs | Dec. | 2.96 |
| 55 | 50 | Denny's | June | 2.93 |
| 56 | 89 | Seiler Corp. | Aug. | 2.91 |
| 57 | 75 | Big Boy | Dec. | 2.80 |
| 58 | 32 | Canteen Corp. | Dec. | 2.68 |
| 59 | 78 | Piccadilly Cafeterias | June | 2.63 |
| 60 | 100 | Woolworth | Jan. | 2.47 |
| 61 | 49 | A&W | Dec. | 2.28 |
| 62 | 72 | Bob Evans Farms | April | 2.19 |
| 63 | 3 | 7-Eleven | Dec. | 2.04 |
| 64 | 46 | Carvel | Dec. | 2.00 |
| 65 | 34 | Kentucky Fried Chicken | Dec. | 1.97 |
| 66 | 63 | Rax | July | 1.85 |
| 67 | 69 | Burger King | May | 1.77 |
| 68 | 64 | ShowBiz/Chuck E. Cheese | Dec. | 1.71 |
| 69 | 22 | Coco's | Dec. | 1.66 |
| 70 | 96 | Domino's Pizza | Dec. | 1.62 |
| 71 | 88 | Marie Callender's Pie Shops | Dec. | 1.51 |
| 72 | 83 | El Torito | Dec. | 1.50 |
| 73 | 59 | Long John Silver's | June | 1.42 |
| 74 | 87 | Popeye's Famous Fried Chicken | Oct. | 1.41 |
| 75 | 57 | ARA Services | Sept. | 1.10 |
| 76 | 48 | Country Kitchen | Dec. | 1.09 |
| 77 | 39 | Chili's Grill & Bar | June | 1.02 |
| 78 | 93 | Grandy's | Dec. | 0.98 |
| 79 | 65 | Holiday Inns | Dec. | 0.71 |
| 80 | 66 | Western Sizzlin' | Oct. | 0.32 |
| 81 | 67 | Shoney's | Oct. | 0.29 |
| 82 | 91 | Wyatt Cafeterias | Dec. | 0.00 |
| 83 | 92 | Steak and Ale | May | 0.00 |
| 84 | 76 | Stuart Anderson's | Dec. | 0.00 |
| 85 | 77 | Bennigan's | May | 0.00 |
| 86 | 8 | Bojangles' Chicken 'n Biscuits | Dec. | 0.00 |
| 87 | 94 | Church's Chicken | Dec. | – 0.30 |
| 88 | 84 | Luby's Cafeteria | Aug. | – 1.55 |
| 89 | 99 | Po' Folks | Sept. | – 1.90 |
| 90 | 68 | White Castle | Dec. | – 2.37 |
| 91 | 2 | Subway Sandwiches & Salads | Dec. | – 2.91 |
| 92 | 71 | Daka | June | – 3.03 |
| 93 | 14 | Ponderosa Steakhouses | Feb. | – 3.39 |
| 94 | 70 | Sportservice | Dec. | – 3.82 |
| 95 | 24 | Ryan's Family Steak | Dec. | – 4.01 |
| 96 | 13 | Westin Hotels | April | – 4.09 |
| 97 | 11 | Ogden Allied Aviation Services | Dec. | – 4.30 |
| 98 | 53 | Service America Corp. | July | – 6.01 |
| 99 | 97 | Hyatt Hotels | Jan. | – 6.55 |
| 100 | 1 | Circle K | April | – 6.73 |

Source: NRN Research

# FOCUS | TOP 100

## TOP 100 CHAINS RANKED BY GROWTH IN NUMBER OF UNITS

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Percent Change '88 vs. '87 | Percent Change '87 vs. '86 |
|---|---|---|---|---|---|
| 1 | 2 | Subway Sandwiches & Salads | Dec. | 50.00% | 69.78% |
| 2 | 33 | Seiler Corp. | Aug. | 32.50 | 8.11 |
| 3 | 4 | Little Caesars Pizza | Dec. | 30.49 | 39.14 |
| 4 | 6 | Ryan's | Dec. | 27.37 | 35.71 |
| 5 | 3 | Chili's Grill & Bar | June | 22.81 | 42.50 |
| 6 | 28 | Fuddruckers | Dec. | 20.18 | 8.57 |
| 7 | 5 | Hyatt Hotels | Jan. | 16.38 | 36.47 |
| 8 | 52 | Circle K | April | 16.25 | 4.00 |
| 9 | 12 | Sportservice | Dec. | 15.04 | 15.65 |
| 10 | 11 | Bob Evans Farms | April | 14.86 | 16.67 |
| 11 | 69 | Grandy's | Dec. | 13.50 | 1.52 |
| 12 | 22 | Arby's | Dec. | 13.45 | 9.98 |
| 13 | 97 | Westin Hotels | April | 12.96 | – 12.90 |
| 14 | 92 | Ground Round | Oct. | 12.57 | – 4.02 |
| 15 | 77 | Ogden Allied Aviation Services | Dec. | 12.50 | 0.00 |
| 16 | 27 | Marie Callender's Pie Shops | Dec. | 11.85 | 8.87 |
| 17 | 56 | Round Table Pizza | June | 11.65 | 3.00 |
| 18 | 8 | Baker's Square | Oct. | 11.59 | 18.97 |
| 19 | 79 | Service America Corp. | July | 10.66 | – 0.74 |
| 20 | 9 | Domino's Pizza | Dec. | 9.84 | 18.70 |
| 21 | 73 | Roy Rogers | Dec. | 9.71 | 0.72 |
| 22 | 24 | Luby's Cafeteria | Aug. | 9.71 | 9.57 |
| 23 | 18 | Shoney's | Oct. | 9.27 | 11.44 |
| 24 | 41 | Pizza Hut | Dec. | 9.26 | 5.88 |
| 25 | 25 | Pizza Inn | June | 9.15 | 9.23 |
| 26 | 51 | White Castle | Dec. | 8.73 | 4.09 |
| 27 | 30 | Dunkin' Donuts | Oct. | 8.45 | 8.45 |
| 28 | 38 | Bonanza | Dec. | 8.33 | 6.57 |
| 29 | 58 | Canteen Corp. | Dec. | 8.28 | 2.77 |
| 30 | 48 | Chick-fil-A | Dec. | 8.26 | 4.91 |
| 31 | 42 | Jack in the Box | Sept. | 8.14 | 5.65 |
| 32 | 21 | ARA Services | Sept. | 8.13 | 10.34 |
| 33 | 7 | Daka | June | 7.50 | 22.32 |
| 34 | 23 | Ogden Allied Services | Dec. | 7.30 | 9.60 |
| 35 | 17 | Sizzler | April | 7.12 | 12.30 |
| 36 | 36 | Piccadilly Cafeterias | June | 6.90 | 7.41 |
| 37 | 50 | Rax | July | 6.73 | 4.42 |
| 38 | 37 | Marriott Hotels | Dec. | 6.21 | 7.27 |
| 39 | 26 | Burger King | May | 6.20 | 9.19 |
| 40 | 40 | Ponderosa Steakhouses | Feb. | 5.67 | 6.18 |
| 41 | 29 | Whataburger | Sept. | 5.62 | 8.54 |
| 42 | 59 | T.G.I. Friday's | Jan. | 5.47 | 2.40 |
| 43 | 16 | Ramada Inns | Jan. | 5.44 | 12.61 |
| 44 | 45 | McDonald's | Dec. | 5.14 | 5.32 |
| 45 | 62 | Morrison's Cafeterias | May | 5.13 | 1.96 |
| 46 | 14 | Popeye's Famous Fried Chicken | Oct. | 5.12 | 13.75 |
| 47 | 61 | Long John Silver's | June | 4.79 | 2.31 |
| 48 | 71 | Int'l House of Pancakes | Dec. | 4.63 | 1.34 |
| 49 | 10 | Radisson Hotels | Dec. | 4.43 | 17.04 |
| 50 | 81 | Western Steer | Feb. | 4.35 | – 1.08 |
| 51 | 15 | Morrison Custom Management | May | 4.35 | 13.70 |
| 52 | 1 | Concession Air | Dec. | 4.26 | 147.37 |
| 53 | 53 | Western Sizzlin' | Oct. | 4.24 | 3.87 |
| 54 | 43 | Bennigan's | May | 3.86 | 5.61 |
| 55 | 13 | Kentucky Fried Chicken | Dec. | 3.70 | 14.40 |
| 56 | 76 | Country Kitchen | Dec. | 3.59 | 0.00 |
| 57 | 60 | Wendy's | Jan. | 3.51 | 2.39 |
| 58 | 20 | Quality Inns | May | 3.42 | 10.56 |
| 59 | 67 | Perkins | Dec. | 3.29 | 1.83 |
| 60 | 74 | Marriott Food & Services Management | Dec. | 3.16 | 0.26 |
| 61 | 78 | Sonic Drive-In | Aug. | 3.16 | 0.00 |
| 62 | 35 | Hardee's | Dec. | 3.02 | 7.41 |
| 63 | 49 | Dobbs | Dec. | 2.99 | 4.69 |
| 64 | 55 | Denny's | June | 2.98 | 3.07 |
| 65 | 100 | Sky Chefs | Dec. | 2.94 | – 41.38 |
| 66 | 93 | A&W | Dec. | 2.86 | – 4.20 |
| 67 | 66 | Red Lobster | May | 2.83 | 1.83 |
| 68 | 80 | Wyatt Cafeterias | Dec. | 2.52 | – 0.83 |
| 69 | 68 | Friendly | Dec. | 2.14 | 1.57 |
| 70 | 86 | Coco's | Dec. | 2.00 | – 1.96 |
| 71 | 65 | Carvel | Dec. | 1.93 | 1.85 |
| 72 | 63 | Houlihan's | Dec. | 1.85 | 1.89 |
| 73 | 46 | Baskin-Robbins | Dec. | 1.84 | 5.28 |
| 74 | 94 | Carl's Jr. | Jan. | 1.83 | – 4.39 |
| 75 | 83 | Disneyland/Disneyworld | Sept. | 1.65 | – 1.62 |
| 76 | 70 | Dairy Queen | Nov. | 1.50 | 1.46 |
| 77 | 84 | Woolworth | Jan. | 1.40 | – 1.70 |
| 78 | 96 | Furr's Cafeterias | Dec. | 1.32 | – 9.58 |
| 79 | 64 | Hilton Hotels | Dec. | 1.11 | 1.88 |
| 80 | 19 | Taco Bell | Dec. | 0.59 | 10.93 |
| 81 | 82 | Quincy's | Dec. | 0.00 | – 1.38 |
| 82 | 99 | Bojangles' Chicken 'n Biscuits | Dec. | 0.00 | – 20.29 |
| 83 | 85 | Marriott In-Flite Services/Host | Dec. | 0.00 | – 1.82 |
| 84 | 44 | Big Boy | Dec. | 0.00 | 5.38 |
| 85 | 47 | Village Inn | Oct. | 0.00 | 5.02 |
| 86 | 98 | Howard Johnson | April | 0.00 | – 17.95 |
| 87 | 90 | ShowBiz/Chuck E. Cheese | Dec. | 0.00 | – 3.28 |
| 88 | 88 | Holiday Inns | Dec. | – 1.25 | – 2.56 |
| 89 | 89 | Sheraton Hotels | Dec. | – 1.64 | – 3.18 |
| 90 | 32 | Chi-Chi's | Sept. | – 2.05 | 8.33 |
| 91 | 34 | Golden Corral | Dec. | – 2.13 | 7.50 |
| 92 | 87 | Church's Chicken | Dec. | – 3.01 | – 2.42 |
| 93 | 57 | Krystal | Dec. | – 3.29 | 2.97 |
| 94 | 95 | Godfather's Pizza | May | – 3.33 | – 7.69 |
| 95 | 31 | Waffle House | June | – 7.69 | 8.33 |
| 96 | 75 | Steak and Ale | May | – 8.57 | 0.00 |
| 97 | 91 | Po' Folks | Sept. | – 8.82 | – 3.41 |
| 98 | 54 | El Torito | Dec. | – 11.33 | 3.57 |
| 99 | 39 | 7-Eleven | Dec. | – 12.20 | 6.49 |
| 100 | 72 | Stuart Anderson's | Dec. | – 27.97 | 0.85 |

## TOP 100 CHAINS RANKED BY SYSTEMWIDE SALES GROWTH (Year-to-Year Percentage Change)

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Percent Change '88 vs. '87 | Percent Change '87 vs. '86 |
|---|---|---|---|---|---|
| 1 | 2 | Subway Sandwiches & Salads | Dec. | 38.89% | 157.14% |
| 2 | 7 | Little Caesars Pizza | Dec. | 37.93 | 39.42 |
| 3 | 82 | Seiler Corp. | Aug. | 36.36 | 3.13 |
| 4 | 4 | Chili's Grill & Bar | June | 31.09 | 56.91 |
| 5 | 6 | Ryan's Family Steak | Dec. | 29.73 | 48.00 |
| 6 | 8 | Fuddruckers | Dec. | 24.91 | 28.96 |
| 7 | 14 | Bakers Square | Oct. | 21.79 | 19.72 |
| 8 | 80 | Morrison Custom Management | May | 20.55 | 3.69 |
| 9 | 31 | Whataburger | Sept. | 19.23 | 13.04 |
| 10 | 40 | Jack in the Box | Sept. | 19.08 | 11.39 |
| 11 | 12 | Sizzler | April | 18.81 | 25.25 |
| 12 | 75 | Sheraton Hotels | Dec. | 17.65 | 4.96 |
| 13 | 11 | Bob Evans Farms | April | 17.13 | 25.52 |
| 14 | 9 | Domino's Pizza | Dec. | 16.34 | 26.16 |
| 15 | 85 | Carl's Jr. | Jan. | 16.21 | 2.35 |
| 16 | 79 | Sonic Drive-In | Aug. | 16.09 | 3.75 |
| 17 | 27 | Pizza Hut | Dec. | 15.38 | 15.04 |
| 18 | 48 | Disneyland/Disneyworld | Sept. | 15.17 | 9.10 |
| 19 | 36 | Ogden Allied Aviation Services | Dec. | 14.76 | 12.00 |
| 20 | 57 | Ground Round | Oct. | 14.19 | 7.15 |
| 21 | 99 | Ramada Inns | Jan. | 13.58 | – 16.25 |
| 22 | 24 | Bonanza | Dec. | 12.56 | 15.43 |
| 23 | 1 | Concession Air | Dec. | 12.50 | 323.28 |
| 24 | 25 | Taco Bell | Dec. | 12.44 | 15.32 |
| 25 | 44 | Round Table Pizza | June | 12.28 | 9.65 |
| 26 | 16 | Marriott Hotels | Dec. | 11.97 | 18.33 |
| 27 | 88 | Marie Callender's Pie Shops | Dec. | 11.68 | 1.18 |
| 28 | 5 | Marriott Food & Services Management | Dec. | 11.53 | 50.54 |
| 29 | 43 | Chick-fil-A | Dec. | 11.49 | 10.89 |
| 30 | 77 | T.G.I. Friday's | Jan. | 11.26 | 4.30 |
| 31 | 46 | Canteen Corp. | Dec. | 11.18 | 9.22 |
| 32 | 64 | Bennigan's | May | 11.11 | 5.88 |
| 33 | 22 | Sportservice | Dec. | 10.92 | 16.23 |
| 34 | 53 | Waffle House | June | 10.88 | 8.29 |
| 35 | 33 | Dunkin' Donuts | Oct. | 10.87 | 12.47 |
| 36 | 35 | Int'l House of Pancakes | Dec. | 10.49 | 12.01 |
| 37 | 26 | McDonald's | Dec. | 9.91 | 15.27 |
| 38 | 15 | Golden Corral | Dec. | 9.77 | 18.45 |
| 39 | 17 | Quality Inns | May | 9.60 | 18.00 |
| 40 | 81 | Grandy's | Dec. | 9.59 | 3.40 |
| 41 | 58 | Roy Rogers | Dec. | 9.52 | 7.14 |
| 42 | 32 | ARA Services | Sept. | 9.32 | 12.95 |
| 43 | 54 | Luby's Cafeteria | Aug. | 9.11 | 8.23 |
| 44 | 50 | Rax | July | 8.85 | 8.94 |
| 45 | 3 | Radisson Hotels | Dec. | 8.65 | 73.37 |
| 46 | 20 | Hyatt Hotels | Jan. | 8.55 | 16.73 |
| 47 | 39 | Shoney's | Oct. | 8.54 | 11.50 |
| 48 | 49 | Dairy Queen | Nov. | 8.52 | 9.00 |
| 49 | 84 | Westin Hotels | April | 8.45 | 2.59 |
| 50 | 10 | Circle K | April | 8.40 | 25.56 |
| 51 | 71 | Piccadilly Cafeterias | June | 8.29 | 5.34 |
| 52 | 23 | Marriott In-Flite Services/Host | Dec. | 7.81 | 15.69 |
| 53 | 21 | Ogden Allied Services | Dec. | 7.74 | 16.47 |
| 54 | 29 | Hardee's | Dec. | 7.72 | 14.47 |
| 55 | 47 | Perkins | Dec. | 7.65 | 9.11 |
| 56 | 51 | Ponderosa Steakhouses | Feb. | 7.55 | 8.85 |
| 57 | 52 | Dobbs | Dec. | 7.00 | 8.67 |
| 58 | 59 | Country Kitchen | Dec. | 6.98 | 6.83 |
| 59 | 45 | Baskin-Robbins | Dec. | 6.94 | 9.49 |
| 60 | 41 | Pizza Inn | June | 6.45 | 11.23 |
| 61 | 65 | Village Inn | Oct. | 6.42 | 5.83 |
| 62 | 62 | Chi-Chi's | Sept. | 6.36 | 6.02 |
| 63 | 38 | Arby's | Dec. | 6.28 | 11.51 |
| 64 | 73 | White Castle | Dec. | 6.16 | 5.25 |
| 65 | 63 | Morrison's Cafeterias | May | 6.15 | 5.95 |
| 66 | 60 | Quincy's Family Steak House | Dec. | 6.09 | 6.80 |
| 67 | 42 | Burger King | May | 6.00 | 11.11 |
| 68 | 98 | Howard Johnson | April | 6.00 | – 14.53 |
| 69 | 100 | Sky Chefs | Dec. | 5.79 | – 19.93 |
| 70 | 61 | Friendly | Dec. | 5.70 | 6.79 |
| 71 | 97 | Furr's Cafeterias | Dec. | 5.47 | – 11.72 |
| 72 | 28 | Popeye's Famous Fried Chicken | Oct. | 5.43 | 15.00 |
| 73 | 83 | Western Steer | Feb. | 5.28 | 2.65 |
| 74 | 90 | A&W | Dec. | 5.19 | – 1.28 |
| 75 | 13 | Daka | June | 4.95 | 22.97 |
| 76 | 18 | Kentucky Fried Chicken | Dec. | 4.88 | 17.14 |
| 77 | 19 | Houlihan's | Dec. | 4.79 | 16.80 |
| 78 | 76 | Wendy's | Jan. | 4.60 | 4.40 |
| 79 | 72 | Western Sizzlin' | Oct. | 4.57 | 5.33 |
| 80 | 86 | Service America Corp. | July | 4.01 | 1.99 |
| 81 | 78 | Woolworth | Jan. | 4.00 | 4.17 |
| 82 | 66 | Carvel | Dec. | 3.95 | 5.77 |
| 83 | 56 | Coco's | Dec. | 3.70 | 7.50 |
| 84 | 69 | Long John Silver's | June | 3.45 | 5.64 |
| 85 | 37 | Red Lobster | May | 2.46 | 11.54 |
| 86 | 91 | ShowBiz/Chuck E. Cheese | Dec. | 1.69 | – 1.67 |
| 87 | 92 | Wyatt Cafeterias | Dec. | 1.40 | – 3.25 |
| 88 | 68 | Krystal | Dec. | 1.09 | 5.75 |
| 89 | 30 | Hilton Hotels | Dec. | 0.81 | 13.42 |
| 90 | 70 | Big Boy | Dec. | 0.29 | 5.37 |
| 91 | 95 | Bojangles' Chicken 'n Biscuits | Dec. | 0.00 | – 7.69 |
| 92 | 89 | Holiday Inns | Dec. | – 0.53 | – 1.14 |
| 93 | 74 | Denny's | June | – 1.19 | 4.98 |
| 94 | 94 | Church's Chicken | Dec. | – 2.60 | – 7.58 |
| 95 | 55 | El Torito | Dec. | – 10.00 | 7.69 |
| 96 | 93 | Steak and Ale | May | – 10.00 | – 3.85 |
| 97 | 34 | 7-Eleven | Dec. | – 10.04 | 12.14 |
| 98 | 96 | Po' Folks | Sept. | – 10.11 | – 9.74 |
| 99 | 67 | Godfather's | May | – 10.91 | 5.77 |
| 100 | 87 | Stuart Anderson's | Dec. | – 28.30 | 1.53 |

# FOCUS | TOP 100

## TOP 100 FOOD-SERVICE COMPANIES RANKED BY REVENUE GROWTH

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Percent Change '87 vs. '88 | Percent Change '86 vs. '87 |
|---|---|---|---|---|---|
| 1 | 41 | Greyhound Corp. | Dec. | 110.81% | 12.12% |
| 2 | 57 | Foodmaker Inc. | Sept. | 60.45 | 7.51 |
| 3 | 99 | Horn & Hardart Co. | Dec. | 58.43 | – 27.11 |
| 4 | 25 | Sodexho | Aug. | 46.91 | 21.84 |
| 5 | 84 | Paragon Restaurant Group | Oct. | 43.83 | 1.25 |
| 6 | 12 | TW Services | Dec. | 41.12 | 29.94 |
| 7 | 2 | Doctors Associates | Dec. | 38.89 | 614.29 |
| 8 | 9 | Little Caesars Enterprises Inc. | Dec. | 37.78 | 37.51 |
| 9 | 4 | Sbarro Inc. | Dec. | 31.60 | 48.21 |
| 10 | 5 | Ryan's Family Steak Houses Inc. | Dec. | 28.87 | 47.81 |
| 11 | 35 | Morrison Inc. | May | 26.25 | 14.89 |
| 12 | 13 | Fuddruckers Inc. | Dec. | 24.91 | 28.96 |
| 13 | 69 | Elias Bros. Restaurants | Dec. | 24.62 | 4.84 |
| 14 | 89 | J.B.'s Restaurants | Sept. | 23.22 | – 1.86 |
| 15 | 70 | A. Copeland Enterprises | Oct. | 21.40 | 4.60 |
| 16 | 59 | TPI Enterprises | Dec. | 19.95 | 7.27 |
| 17 | 37 | Whataburger Inc. | Sept. | 19.23 | 13.04 |
| 18 | 7 | Chili's Inc. | June | 18.06 | 43.25 |
| 19 | 31 | Carl Karcher Enterprises | Jan. | 17.73 | 16.56 |
| 20 | 33 | Imasco Ltd. | Dec. | 17.65 | 15.25 |
| 21 | 42 | Abela Enterprises U.S. Inc. | Dec. | 17.65 | 11.35 |
| 22 | 18 | Bob Evans Farms Inc. | April | 17.13 | 25.52 |
| 23 | 21 | National Pizza Co. | March | 16.86 | 24.15 |
| 24 | 26 | General Mills Inc. | May | 16.67 | 20.00 |
| 25 | 16 | Carrols Corp. | Dec. | 16.41 | 25.95 |
| 26 | 49 | Disney Co. | Sept. | 15.17 | 9.10 |
| 27 | 34 | International Dairy Queen Inc. | Nov. | 14.43 | 14.89 |
| 28 | 3 | PepsiCo Inc. | Dec. | 14.29 | 61.54 |
| 29 | 20 | Hanson Trust Plc. | Oct. | 14.19 | 24.49 |
| 30 | 44 | Sybra Inc. | Dec. | 13.94 | 11.18 |
| 31 | 24 | Domino's Pizza Inc. | Dec. | 12.02 | 22.48 |
| 32 | 46 | Chick-fil-A | Dec. | 11.88 | 10.50 |
| 33 | 36 | Ogden Corp. | Dec. | 11.85 | 13.81 |
| 34 | 32 | McDonald's Corp. | Dec. | 11.77 | 15.42 |
| 35 | 19 | Marriott Corp. | Dec. | 11.76 | 25.21 |
| 36 | 22 | Delaware North Cos. Inc. | Dec. | 11.68 | 23.70 |
| 37 | 100 | Nestles SA | Dec. | 11.68 | – 32.65 |
| 38 | 40 | Riese Organization | April | 11.11 | 12.50 |
| 39 | 39 | Papa Gino's of America | Sept. | 11.11 | 12.50 |
| 40 | 48 | Shoney's Inc. | Oct. | 10.06 | 10.39 |
| 41 | 28 | Perkins Family Restaurants L.P. | Dec. | 10.01 | 18.25 |
| 42 | 45 | American Restaurant Group Inc | Dec. | 10.00 | 11.11 |
| 43 | 47 | Carlson Cos. | Dec. | 9.37 | 10.48 |
| 44 | 38 | ARA Services Inc. | Sept. | 9.32 | 12.95 |
| 45 | 54 | Specialty Restaurants Corp. | June | 9.29 | 8.28 |
| 46 | 56 | Luby's Cafeterias Inc. | Aug. | 9.11 | 8.23 |
| 47 | 10 | Western Steer-Mom 'n' Pop's | Feb. | 9.05 | 31.80 |
| 48 | 17 | RTM Inc. | May | 8.90 | 25.71 |
| 49 | 71 | Consolidated Products Inc. | Sept. | 8.67 | 4.29 |
| 50 | 52 | Collins Foods International Inc. | April | 8.56 | 8.52 |
| 51 | 29 | Hyatt Hotels Corp | Jan. | 8.55 | 16.73 |
| 52 | 77 | Aoki Corp. | April | 8.45 | 2.59 |
| 53 | 53 | Waffle House Inc. | May | 8.39 | 8.32 |
| 54 | 62 | Jerrico Inc. | June | 8.31 | 6.66 |
| 55 | 65 | Piccadilly Cafeterias Inc. | June | 8.29 | 5.34 |
| 56 | 68 | Braum's Ice Cream & Dairy Stores | Dec. | 8.06 | 5.08 |
| 57 | 51 | Boddie-Noell Enterprises | Sept. | 7.84 | 8.94 |
| 58 | 97 | Onex Corp. | Dec. | 7.29 | – 19.93 |
| 59 | 64 | Hilton Hotels Corp. | Dec. | 7.24 | 5.72 |
| 60 | 76 | Ramada Inc. | Jan. | 7.04 | 3.34 |
| 61 | 73 | ITT Corp. | Dec. | 6.95 | 4.18 |
| 62 | 74 | Manor Care Inc. | May | 6.75 | 3.99 |
| 63 | 6 | Unigate Restaurants | Dec. | 6.69 | 44.44 |
| 64 | 15 | Integra | Dec. | 6.29 | 26.19 |
| 65 | 67 | White Castle System Inc. | Dec. | 6.16 | 5.25 |
| 66 | 98 | Vicorp Inc. | Oct. | 5.77 | – 25.98 |
| 67 | 60 | Hershey Corp. | Dec. | 5.70 | 6.79 |
| 68 | 1 | Cavalcade Food Inc. | Dec. | 5.47 | ERR |
| 69 | 82 | Dunkin' Donuts | Oct. | 5.11 | 1.34 |
| 70 | 23 | Daka Inc. | June | 4.95 | 22.97 |
| 71 | 66 | Western Sizzlin | Oct. | 4.57 | 5.33 |
| 72 | 72 | DWG Corp. | April | 4.49 | 4.28 |
| 73 | 79 | Servam Corp. | July | 4.01 | 1.99 |
| 74 | 27 | F.W. Woolworth Inc. | Jan. | 4.00 | 19.68 |
| 75 | 78 | Frisch's Restaurants Inc. | May | 3.38 | 2.31 |
| 76 | 30 | Investors Management Corp. | Dec. | 3.34 | 16.72 |
| 77 | 81 | Rax Restaurants Inc. | July | 3.23 | 1.56 |
| 78 | 88 | IHOP Corp. | Dec. | 2.67 | – 1.71 |
| 79 | 14 | Restaurants Associates Industries | Dec. | 2.55 | 27.27 |
| 80 | 58 | Club Corp. International | Dec. | 2.31 | 7.44 |
| 81 | 83 | Skipper's Inc. | Dec. | 2.01 | 1.27 |
| 82 | 94 | Wendy's International | Jan. | 1.55 | – 7.13 |
| 83 | 91 | Wyatt Cafeterias Inc. | Dec. | 1.40 | – 3.25 |
| 84 | 63 | Krystal Co. | Dec. | 1.09 | 5.75 |
| 85 | 90 | Holiday Corp. | Dec. | 0.65 | – 3.02 |
| 86 | 85 | Brown Derby Inc. | May | 0.34 | 0.00 |
| 87 | 11 | Cracker Barrel Old Country Store | July | 0.00 | 30.61 |
| 88 | 93 | El Chico Corp. | May | – 0.23 | – 5.87 |
| 89 | 86 | DeNovo Corp. | Dec. | – 1.53 | – 0.30 |
| 90 | 43 | Restaurant Enterprises Group Inc. | Dec. | – 1.61 | 11.21 |
| 91 | 75 | Pillsbury Co. | May | – 2.32 | 3.79 |
| 92 | 87 | Walgreen Co. | Aug. | – 3.60 | – 1.40 |
| 93 | 96 | Church's Fried Chicken Inc. | Dec. | – 3.62 | – 16.65 |
| 94 | 50 | Metromedia Inc. | Feb. | – 3.65 | 9.08 |
| 95 | 61 | Consul Restaurants Corp. | May | – 5.63 | 6.67 |
| 96 | 80 | Harman Management Corp | June | – 7.05 | 1.96 |
| 97 | 92 | Winners Corp. | Dec. | – 9.09 | – 3.44 |
| 98 | 95 | Winchell's Donut Houses L.P. | Dec. | – 9.40 | – 7.74 |
| 99 | 8 | Jamco Ltd. | Sept. | – 48.65 | 42.31 |
| 100 | 55 | Southland Corp. | | – 52.75 | 8.26 |

Source: NRN Research

## MARKET SHARES FOR TOP 100 FOOD-SERVICE COMPANIES

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Market Share 1988 | Market Share 1987 | Market Share 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's Corp. | Dec. | 10.04% | 8.98% | 7.78% |
| 2 | 2 | Marriott Corp. | Dec. | 9.69 | 8.67 | 6.93 |
| 3 | 3 | Pepsico Inc. | Dec. | 8.81 | 7.71 | 4.77 |
| 4 | 5 | TW Services | Dec. | 6.46 | 4.58 | 3.52 |
| 5 | 4 | Pillsbury Co. | May | 4.96 | 5.07 | 4.89 |
| 6 | 6 | General Mills Inc. | May | 3.21 | 2.75 | 2.29 |
| 7 | 7 | Imasco Ltd. | Dec. | 2.94 | 2.50 | 2.17 |
| 8 | 9 | ARA Services Inc. | Sept. | 2.30 | 2.10 | 1.86 |
| 9 | 8 | Restaurant Enterprises Group Inc. | Dec. | 2.24 | 2.28 | 2.05 |
| 10 | 10 | Wendy's International | Jan. | 1.97 | 1.94 | 2.09 |
| 11 | 11 | Domino's Pizza Inc. | Dec. | 1.82 | 1.62 | 1.32 |
| 12 | 17 | Foodmakers Inc. | Sept. | 1.76 | 1.10 | 1.02 |
| 13 | 12 | Carlson Cos. | Dec. | 1.64 | 1.50 | 1.36 |
| 14 | 29 | Greyhound Corp. | Dec. | 1.43 | 0.68 | 0.61 |
| 15 | 16 | Morrison Inc. | May | 1.40 | 1.11 | 0.96 |
| 16 | 13 | Servam Corp. | July | 1.32 | 1.27 | 1.24 |
| 17 | 14 | Shoney's Inc. | Oct. | 1.24 | 1.13 | 1.02 |
| 18 | 20 | Collins Foods International Inc. | April | 1.13 | 1.04 | 0.96 |
| 19 | 19 | Jerrico Inc. | June | 1.13 | 1.04 | 0.98 |
| 20 | 18 | Hershey Corp. | Dec. | 1.11 | 1.05 | 0.98 |
| 21 | 22 | American Restaurant Group Inc. | Dec. | 1.01 | 0.92 | 0.83 |
| 22 | 21 | Metromedia Inc. | Feb. | 0.95 | 0.98 | 0.90 |
| 23 | 23 | Aoki Corp. | April | 0.94 | 0.87 | 0.84 |
| 24 | 31 | Doctor's Associates Inc. | Dec. | 0.92 | 0.66 | 0.09 |
| 25 | 24 | Western Sizzlin' | Oct. | 0.89 | 0.86 | 0.81 |
| 26 | 25 | Investors Management Corp. | Dec. | 0.85 | 0.82 | 0.70 |
| 27 | 26 | Hyatt Hotels Corp. | Jan. | 0.81 | 0.75 | 0.64 |
| 28 | 28 | Nestles SA | Dec. | 0.81 | 0.72 | 1.07 |
| 29 | 30 | Carl Karcher Enterprises | Jan. | 0.80 | 0.68 | 0.58 |
| 30 | 36 | Elias Bros. Restaurants | Dec. | 0.74 | 0.60 | 0.57 |
| 31 | 32 | Ogden Corp. | Dec. | 0.74 | 0.66 | 0.58 |
| 32 | 27 | Church's Fried Chicken Inc. | Dec. | 0.71 | 0.74 | 0.88 |
| 33 | 33 | Delaware North Cos. Inc. | Dec. | 0.68 | 0.61 | 0.50 |
| 34 | 34 | Onex Corp. | Dec. | 0.66 | 0.61 | 0.76 |
| 35 | 35 | Manor Care Inc. | May | 0.64 | 0.60 | 0.58 |
| 36 | 38 | Disney Co. | Sept. | 0.61 | 0.53 | 0.49 |
| 37 | 37 | Vicorp Inc. | Oct. | 0.61 | 0.57 | 0.77 |
| 38 | 42 | Whataburger Inc. | Sept. | 0.57 | 0.48 | 0.42 |
| 39 | 39 | White Castle System Inc. | Dec. | 0.55 | 0.52 | 0.49 |
| 40 | 52 | Sodexho | Aug. | 0.55 | 0.37 | 0.31 |
| 41 | 40 | Boddie-Noell Enterprises | Sept. | 0.53 | 0.49 | 0.45 |
| 42 | 15 | Southland Corp. | | 0.52 | 1.11 | 1.03 |
| 43 | 43 | Cavalcade Food Inc. | Dec. | 0.50 | 0.47 | 0.00 |
| 44 | 41 | Holiday Corp. | Dec. | 0.48 | 0.48 | 0.49 |
| 45 | 45 | Hanson Trust Plc. | Oct. | 0.48 | 0.42 | 0.34 |
| 46 | 48 | Bob Evans Farms Inc. | April | 0.48 | 0.41 | 0.32 |
| 47 | 50 | TPI Enterprises | Dec. | 0.47 | 0.39 | 0.36 |
| 48 | 44 | Luby's Cafeterias Inc. | Aug. | 0.47 | 0.43 | 0.39 |
| 49 | 47 | Riese Organization | April | 0.46 | 0.41 | 0.37 |
| 50 | 61 | Little Caesars Enterprises Inc. | Dec. | 0.46 | 0.33 | 0.24 |
| 51 | 51 | International Dairy Queen Inc. | Nov. | 0.44 | 0.39 | 0.34 |
| 52 | 49 | Piccadilly Cafeterias Inc. | June | 0.43 | 0.40 | 0.38 |
| 53 | 46 | F.W. Woolworth Inc. | Jan. | 0.43 | 0.41 | 0.35 |
| 54 | 66 | Paragon Restaurant Group | Oct. | 0.43 | 0.30 | 0.29 |
| 55 | 53 | Chick-fil-A | Dec. | 0.41 | 0.37 | 0.34 |
| 56 | 63 | Chili's Inc. | June | 0.38 | 0.33 | 0.23 |
| 57 | 55 | ITT Corp. | Dec. | 0.38 | 0.36 | 0.34 |
| 58 | 56 | Ramada Inc. | Jan. | 0.37 | 0.35 | 0.34 |
| 59 | 54 | Restaurants Associates Industries | Dec. | 0.37 | 0.36 | 0.28 |
| 60 | 64 | Carrols Holding Corp. | Dec. | 0.37 | 0.32 | 0.25 |
| 61 | 59 | Specialty Restaurants Corp. | June | 0.37 | 0.34 | 0.31 |
| 62 | 70 | Ryan's Family Steak Houses Inc. | Dec. | 0.37 | 0.28 | 0.19 |
| 63 | 60 | Daka Inc. | June | 0.35 | 0.33 | 0.27 |
| 64 | 58 | Krystal Co. | Dec. | 0.34 | 0.34 | 0.32 |
| 65 | 62 | Wyatt Cafeterias Inc. | Dec. | 0.33 | 0.33 | 0.34 |
| 66 | 73 | Fuddruckers Inc. | Dec. | 0.33 | 0.26 | 0.20 |
| 67 | 86 | Horn & Hardart Co. | Dec. | 0.31 | 0.20 | 0.27 |
| 68 | 67 | Integra Hotel and Restaurant Co. | Dec. | 0.31 | 0.29 | 0.23 |
| 69 | 71 | Hilton Hotels Corp. | Dec. | 0.30 | 0.28 | 0.27 |
| 70 | 65 | DeNovo Corp. | Dec. | 0.30 | 0.30 | 0.30 |
| 71 | 72 | Brown Derby Inc. | May | 0.27 | 0.27 | 0.27 |
| 72 | 74 | Perkins Family Restaurants L.P. | Dec. | 0.27 | 0.25 | 0.21 |
| 73 | 69 | Harman Management Corp | June | 0.27 | 0.29 | 0.28 |
| 74 | 68 | Winchell's Donut Houses L.P. | Dec. | 0.26 | 0.29 | 0.32 |
| 75 | 82 | National Pizza Co. | March | 0.26 | 0.22 | 0.18 |
| 76 | 77 | Unigate Plc. | Dec. | 0.25 | 0.24 | 0.17 |
| 77 | 75 | Frisch's Restaurants Inc. | May | 0.25 | 0.24 | 0.24 |
| 78 | 78 | DWG Corp. | April | 0.25 | 0.24 | 0.23 |
| 79 | 80 | Braum's Ice Cream & Dairy Stores | Dec. | 0.25 | 0.23 | 0.22 |
| 80 | 76 | Club Corp. International | Dec. | 0.24 | 0.24 | 0.22 |
| 81 | 89 | J.B.'s Restaurants | Sept. | 0.24 | 0.19 | 0.20 |
| 82 | 84 | Papa Gino's of America | Sept. | 0.24 | 0.21 | 0.19 |
| 83 | 79 | Cracker Barrel Old Country Store | July | 0.23 | 0.23 | 0.18 |
| 84 | 81 | Rax Restaurants Inc. | July | 0.23 | 0.23 | 0.22 |
| 85 | 90 | Abela Enterprises U.S. Inc. | Dec. | 0.22 | 0.19 | 0.17 |
| 86 | 88 | RTM Inc. | May | 0.21 | 0.19 | 0.15 |
| 87 | 83 | Walgreen Co. | Aug. | 0.21 | 0.22 | 0.22 |
| 88 | 93 | Sbarro Inc. | Dec. | 0.21 | 0.16 | 0.11 |
| 89 | 87 | Dunkin' Donuts | Oct. | 0.20 | 0.19 | 0.19 |
| 90 | 85 | Winners Corp. | Dec. | 0.19 | 0.21 | 0.21 |
| 91 | 91 | Consolidated Products Inc. | Sept. | 0.18 | 0.17 | 0.16 |
| 92 | 57 | Jamco Ltd. | Sept. | 0.17 | 0.34 | 0.24 |
| 93 | 94 | Waffle House Inc. | May | 0.17 | 0.16 | 0.14 |
| 94 | 95 | Western Steer-Mom 'n' Pop's Inc. | Feb. | 0.17 | 0.15 | 0.12 |
| 95 | 92 | El Chico Corp. | May | 0.16 | 0.16 | 0.17 |
| 96 | 97 | Skipper's Inc. | Dec. | 0.15 | 0.15 | 0.14 |
| 97 | 100 | A. Copeland Enterprises | Oct. | 0.15 | 0.12 | 0.12 |
| 98 | 99 | Sybra Inc. | Dec. | 0.15 | 0.13 | 0.11 |
| 99 | 98 | IHOP Corp. | Dec. | 0.14 | 0.14 | 0.14 |
| 100 | 96 | Consul Restaurants Corp. | May | 0.14 | 0.15 | 0.14 |

Source: NRN Research

FOCUS | TOP 100

# EXECUTIVE MERRY-GO-ROUND

*A widespread and fast-paced plague of resignations, ousters, and realignments took victims in several of the food-service industry's board rooms last year*

By Charles Bernstein

David Bennett has resigned as president of Cleveland-based Morgan's Foods, a KFC and Sizzler franchisee, after one year in the post. Jim Liguori, executive vice president and chief of the KFC division, was named acting president.

Bennett stepped down last month at a board meeting just after he was re-elected to the board. It was speculated that he might have felt thwarted regarding future expansion plans or that there was some dispute with board. But neither Bennett nor the board members would make any comment, other than confirming that he resigned "to pursue his own interests."

In the one year that the former Sambo's and Taco Bell executive was at the helm, the company's sales tripled to $60 million as Bennett launched the Sizzler franchise, rapidly expanded KFC, and sought to start a third franchising division.

This is the latest in a string of executive suite ousters and resignations that have occurred at a frantic pace in the last year. The changes reflect severe bottom-line pressures and a maturing industry that demands more professionalism and tends to make scapegoats out of top executives. Entrepreneurial restlessness, board room battles, and mergers also are factors in the turmoil.

Among the most earthshaking switches:

- Donald Doyle, a KFC executive for 15 years through various owners and administrations, resigned as KFC-USA president in April in an apparent policy dispute with KFC chairman and chief executive officer Richard Mayer over the chain's strategic direction. Doyle wanted to sustain a quick expansion pace, while others thought the financial times dictated a more cautious approach. Steven Fellingham, KFC's international president, succeeded Doyle, and Donald Pierce—who had briefly been Denny's president—resurfaced as KFC-International president.
- Jeffrey Campbell was deposed as chairman and chief executive of the Pillsbury restaurant group in June, and the post was left vacant. At the same time Kyle Craig was ousted as Pillsbury's S&A Restaurant Corp. chairman and chief executive officer, with Pillsbury corporate development executive vice president Jerry Levin taking over. The switches reflected what Pillsbury executives regarded as disappointing results in Burger King, Bennigan's, and Steak & Ale restaurants as well as decisions to sell Bay Street, Quick Wok, and Godfather's Pizza.

The musical chairs game began last August when Dallas-based Pizza Inn chairman F. Joseph Spillman stepped away from daily operations after the St. Louis-based Pantera Corp. acquired the chain. R.E. Smith moved over from Pantera's Pizza president to become Pizza Inn chairman, while David McCracken moved up from Pantera's vice president to president.

That same month Stanley Bresler,

David Bennett

who had led the family-owned 300-unit Bresler's ice-cream chain for years, stepped down as president to concentrate on his 1,500-unit Convenience Food Mart chain. David Lasky rose from Bresler's executive vice president to president.

In a surprise September move, Al Copeland brought in James A. Flynn, marketing executive vice president of the Brown Shoe Co., St. Louis, as Popeyes president. Perhaps thinking that the principles of marketing shoes and fried chicken weren't terribly different, Copeland gave up the Popeyes presidency but remained chairman and focused continued efforts on Copeland's dinner houses, of which he is president.

Harris Cooper, former National Car Rental president who served 16 years as International Dairy Queen president and chief executive, resigned in November to develop a Telechef home delivery service joint venture that was 60 percent owned by Dairy Queen. IDQ vice chairman Michael Sullivan replaced Cooper as president. Just seven months later, Cooper was left with his own plans to establish a consulting business or head another food-service chain after Telechef failed because of "a lack of working capital."

Later in November Richard Goeglein "retired" at age 52 as president of the Holiday Corp. after gaming officials probed methods used to settle labor disputes at Harrah's Casinos, of which Goeglein earlier had been president. The gaming officials apparently exonerated him and renewed Harrah's license. Goeglein, who had been president of California food-service chains in the late 1960s and early 1970s and then a W.R. Grace executive vice president before joining Holiday as an executive vice president in the late 1970s, decided to "pursue personal interests."

That same month Mark Licata was ousted as president of Houston-based McFaddin Ventures after 10 months in the job. Founder-chairman Lance McFaddin reassumed the presidency in a severe tightening up as the McFaddin nightclub-restaurants were hit with a double whammy: declining liquor sales and an Oil Belt slump.

And Howard Davia dropped out as president of 60-unit Numero Uno Pizza after 10 years at the helm. He became an executive in an oil-gas venture and in a franchising company. Ron Gelet, the chain's founder, owner, and chairman, took over the presidency.

In December Eugene Stone, Seattle-based Skipper's seafood chain longtime chairman and chief executive officer, and president Chris Lesourd were forced to resign. Stone's regime faltered when senior chairman Herbert Rosen and the board turned against him after he had established financial ties with Florida restaurateur Donald Perlyn. Everett "Jeff" Jefferson became Skipper's chief executive a few months later. He had been president of Straw Hat Pizza and International King's Table.

Clyde Culp, former Krystal executive, celebrated New Year's Eve by resigning as president and chief executive of Nashville, Tenn.-based Po Folks, a country cooking chain that lost its way and filed for Chapter 11. At the same time Walter Spear resigned as chief financial officer. A few weeks later John Theoharis moved up from Po Folks executive vice president and chief operating officer to president and chief executive officer.

January saw Robert Bryant, longtime chief of Dobbs Houses food service, step down as chief executive of Carson Pirie Scott's food-service and lodging group. He had been set to retire shortly at age 65, but Carson's sell-off of the contract-feeding operations

*(See **EXECUTIVE**, page F100)*

## EXECUTIVE SUITES SWITCHES (for past 12 months)

| Name | Title | Company |
|---|---|---|
| **OUT** | | |
| David Bennett | president | Morgan's Foods, Cleveland |
| Stanley Bresler | president | Bresler's, Chicago |
| Robert Bryant | ceo | Carson Pirie Scott food-service group, Chicago |
| Jeffrey Campbell | chairman | Pillsbury restaurant group, Minneapolis |
| Harris Cooper | president | Int'l Dairy Queen, Minneapolis |
| Kyle Craig | chairman | S&A Restaurant Corp., Dallas |
| Clyde Culp | president | Po Folks, Nashville |
| Howard Davis | president | Numero Uno Pizza, Panorama City, Calif. |
| Donald Doyle | president | KFC-USA, Louisville |
| Richard Goeglein | president | Holiday Corp., Memphis, Tenn. |
| Michael Jenkins | president | T.G.I. Friday's, Dallas |
| Lewis Kilbourne | cfo | Brock Hotel Corp., Dallas |
| Chris Lesourd | president | Skipper's, Seattle |
| Mark Licata | president | McFaddin Ventures, Houston |
| C. James Lynch | fast-food director | Stop 'n Go, Houston |
| T. Mark McCall | president | Ryan's Family Steak Houses, Greer, S.C. |
| James Orr | president | Village Inns, Denver |
| Donald Pierce | president | Denny's, La Mirada, Calif. |
| John Radebaugh | cfo | Denny's |
| Ernest Renaud | president | Investors Mgt., Raleigh, N.C. |
| C.H. (Buzz) Roman | president | Church's, San Antonio, Texas |
| Walter Spear | cfo | Po Folks, Nashville, Tenn. |
| F. Joseph Spillman | chairman | Pizza Inn, Dallas |
| John Stafford | ceo | Pillsbury Co., Minneapolis |
| Eugene Stone | chairman | Skipper's |
| **IN** | | |
| Stanley Bresler | president | Convenience Food Marts, Chicago |
| James Carter | president | Village Inns, Denver, Colo. |
| Steven Fellingham | president | KFC-USA, Louisville, Ky. |
| James Flynn | president | Popeyes, New Orleans, La. |
| Ron Gelet | president | Numero Uno Pizza, Panorama City, Calif. |
| Fred Gonzales | president | JB's Restaurants, Salt Lake City, Utah |
| Everett Jefferson | president | Skipper's, Bellevue, Wash. |
| Lewis Kilbourne | cfo | Popeye's, Jefferson, La. |
| David Lasky | president | Bresler's, Des Plaines, Ill. |
| Jerry Levin | chairman | S&A Restaurant Corp., Dallas |
| Jim Liquori | acting president | Morgan's Foods, Cleveland |
| David McCracken | president | Pantera's Pizza, St. Louis |
| Lance McFaddin | president | McFaddin Ventures, Houston |
| Robert Nugent | president | Jack in the Box, San Diego |
| Charles Olcott | president | Burger King Corp., Miami, Fla. |
| Ronald Petty | president | Burger King-USA, Miami, Fla. |
| Donald Pierce | president | KFC-Int'l, Lousiville, Ky. |
| Ernest Renaud | president | Church's, San Antonio, Texas |
| Jerry Richardson | president | Denny's, La Mirada, Calif. |
| Richard Rivera | president | T.G.I. Friday's, Dallas |
| Hal Smith | ceo | Chi-Chi's, Louisville, Ky. |
| Philip Smith | ceo | Pillsbury Co., Dallas |
| R.E. Smith | chairman | Pizza Inn, Dallas |
| Michael Sullivan | president | Int'l Dairy Queen, Minneapolis |
| John Theoharis | president | Po Folks, Nashville, Tenn. |
| Charles Way | president | Ryan's Family Steak Houses, Greer, S.C. |

A multiplicity of executives and companies were involved in ousters, resignations, replacements, and hirings in the past year. The crazy-quilt pattern is dramatized by the fact that some executives and companies are on both the "out" list of those who departed and on the "in" list of those who started anew.

Source: NRN research

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# MENUS DRIVE CHAINS' EVOLUTION

*From fast feeders to dinner houses, menus begin to mirror the nation's independent restaurants by adding trendy regional and seasonal selections*

By Ken Frydman

Decor, ambience, and service are still key factors, but new menu items are driving the evolution of all food-service industry segments—from fast food to casual theme to dinner house.

Even chains that have depended on the same core menus for years are now tinkering with different dishes. By diversifying their product lines—tacking tacos on to hamburgers and adding chicken sticks to prepackaged salads—multiunit restaurant operators hope to widen image appeal and expand customer group bases.

In many cases those new chain menus mirror the food trends and seasonal specials being popularized by the country's innovative independent restaurants.

Taking it from the top, McDonald's is testing a chicken fillet sandwich, a revamped McPizza item, breakfast tortes, and a regional steak biscuit sandwich.

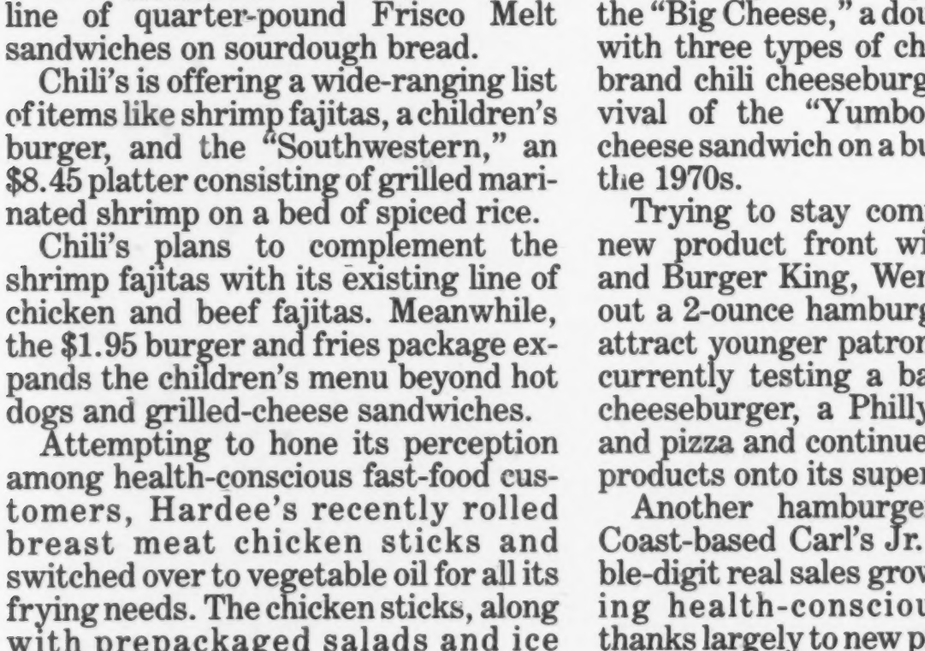
The largest chain in the family restaurant segment, Denny's, dropped 25 percent of its menu items in July to refocus on "traditional" all-day, midscale dishes. Gone are pasta primavera and Dijon chicken; here to stay are evening staples like fried chicken and seafood items.

Another—albeit smaller—family restaurant chain, Perkins, is trying to upgrade its coffee-shop reputation with summer salads and a $4-to-$5.25 line of quarter-pound Frisco Melt sandwiches on sourdough bread.

Chili's is offering a wide-ranging list of items like shrimp fajitas, a children's burger, and the "Southwestern," an $8.45 platter consisting of grilled marinated shrimp on a bed of spiced rice.

Chili's plans to complement the shrimp fajitas with its existing line of chicken and beef fajitas. Meanwhile, the $1.95 burger and fries package expands the children's menu beyond hot dogs and grilled-cheese sandwiches.

Attempting to hone its perception among health-conscious fast-food customers, Hardee's recently rolled breast meat chicken sticks and switched over to vegetable oil for all its frying needs. The chicken sticks, along with prepackaged salads and ice cream, are designed to attract more women and children to the 3,100-unit hamburger chain.



Chili's added shrimp fajitas to its menu offerings.

Jack in the Box, which has introduced a chicken fajita pita and a line of finger foods, including egg rolls, chicken fingers, and shrimp, is at it again: Foodmaker's regional fast-food chain is currently testing taquitos, a Mexican finger food made of shredded beef rolled in a fried tortilla shell, a grilled chicken breast sandwich, and three varieties of breakfast pitas. Also as part of its "Serious Food that's Fun to Eat" promotion and advertising campaign, Jack in the Box has fine-tuned its prepackaged salad offerings by replacing a pasta seafood salad with a Mexican chicken salad.

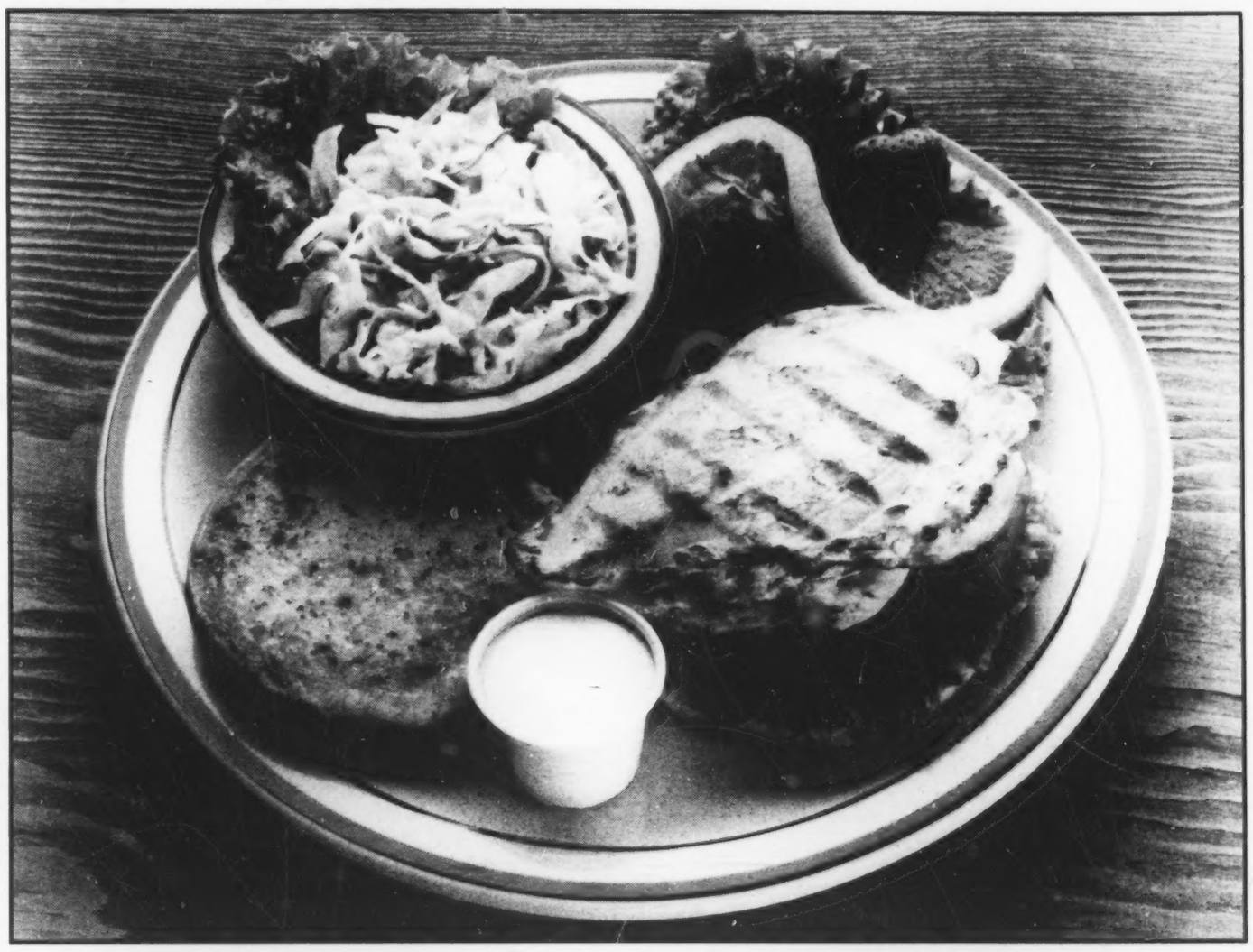
As part of its latest menu promotion, Taco Bell is rolling out steak and chicken fajitas at lunch and dinner and will introduce a full breakfast menu next year.

Menu promotions are being relied on by Burger King as well. Recent short-term or regional new products include the "Big Cheese," a double hamburger with three types of cheese; the Wolf-brand chili cheeseburger; and the revival of the "Yumbo," a ham and cheese sandwich on a bun introduced in the 1970s.

Trying to stay competitive on the new product front with McDonald's and Burger King, Wendy's has rolled out a 2-ounce hamburger designed to attract younger patrons. The chain is currently testing a bacon and Swiss cheeseburger, a Philly Swiss burger and pizza and continues to rotate new products onto its superbar.

Another hamburger chain, West Coast-based Carl's Jr., is riding double-digit real sales growth and attracting health-conscious consumers thanks largely to new prepackaged salads, a low-calorie chicken club sandwich, and a more healthful version of its traditional California Roast Beef sandwich, now in test marketing.

Whataburger is also moving beyond burgers with the test of a breakfast potato, cereal, a salad, and a dessert line. Meanwhile, Show-Biz Pizza Time's breakfast test includes pancakes, French toast sticks, cinnamon rolls, hash browns, and a biscuit sandwich with eggs, cheese, and a choice of sausage or bacon. And the IHOP Corp., parent company of the 475-unit International House of Pancakes chain, is using its 30th anniversary as a trigger for is new chicken breast sandwich and summmer rollout of a different pancake concept.



"Denny's Delightful" menu includes such items as boneless, skinless Grilled Chicken sandwich.

Arby's and Fuddruckers are taking a different tack in the burger wars. Arby's "burger alternative" is a growing selection of new theme sandwiches, such as fajitas, chicken-fried steak, and Mexicali beef or chicken. Fuddruckers, known for its "gourmet burgers," has enlarged its menu to include breakfast items like cinnamon rolls and muffins, three salads, a fajita dinner, and chicken and fish sandwiches.

In the wide world of pizza, Pizza Hut expects record sales from its new hand-tossed traditional pizza, which falls in the product category between the chain's thick and crispy pie and the deep-dish Pan pizza.

Little Caesars' newest product, Pan! Pan! Pizza, was designed to go head-to-head with Pizza Hut's Pan Pizza product. Pan! Pan! Pizza—two for the price of one—is being supported by the chain's first network television advertising campaign.

Pizza Inn's two new menu items—a New York-style pizza and Pizzert, a dessert pizza—are helping the fourth-largest pizza chain grab additional market share.

Among casual theme concepts, Bennigan's is at the forefront of menu refinement. The 215-unit chain introduces new menu items three times a year, including lower price-point items like soup and salad combinations and pita sandwiches. But Bennigan's core sandwich and salad menu remain the same.

Even ice-cream store operators have joined the menu-expansion game. Baskin-Robbins will add 20 flavors of soft-serve frozen yogurt to its 500 stores by year's end; Dairy Queen's newest products are a premium frozen novelty called the Chocolate Mountain Bar and the Homestyle Ultimate Burger.

In the trendy new products category, 260-unit Country Kitchen has rolled out "Stuffers," a less-than-$4 line of French bread sandwiches containing pot roast, chicken pot pie, or barbecue meat fillings. Stuffers were succeeded by "Cool Stuffers," a summer season line of cantaloupe halves stuffed with either fruit salad, seafood and pasta salad, or chicken salad—which together have reportedly generated between 2 percent and 6 percent of sales. Country kitchen plans a fall rollout of a $5 pot roast dish with carrots, potatoes, and onions.

Sandwiches are another key new menu item. Rax is broadening its customer base by building its lunch and dinner bar through a make-your-own mini-sandwich bar. And Grandy's, trying to solidify its position as a fast-food chicken chain, is rolling out chicken breast fillet and country-fried steak sandwiches.

However, not all chains are rolling out new products. Like Denny's, some are in a menu retrenchment mode.

Kentucky Fried Chicken, reeling slightly from a mixed reaction to last year's Chicken Littles rollout, is testing larger, more cost-effective sandwiches.

Po' Folks has settled into a stabilization period, concentrating on the basic fried chicken, country-fried steak, and fried catfish it built its name on.

Steak and Ale, whose focus had moved away from its longtime meat-and-potatoes menu, has abandoned its contemporary varied menu and returned to traditional basics.

And the Brown Derby steak-house chain has back-burnered a seafood, chicken, and tapas concept to concentrate on its steak roots.

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# BELLY UP TO THE ALL-YOU-CAN-EAT BAR

*Food bar pioneers expand on such innovative offerings as Mexican and Italian specialties in an effort to stay on top of the trend they initiated*

By Peter J. Romeo

As slews of restaurant chains embrace all-you-can-eat food bars in a lunge for more traffic, early beneficiaries are striving to maintain the novelty of their spreads by experimenting with new and somewhat unusual offerings.

The trend is quickly erasing the boundaries between market segments, with burger chains experimenting with Chinese food, pizza purveyors hawking fried chicken, and red-meat specialists arming themselves with health-food bars.

That eagerness to cross over into new and thriving markets has already established Mexican and Italian specialties as food-bar standards, encroaching on what had been ethnic restaurants' exclusive turf.

Despite indications that the proliferation of food bars might be dampening their drawing power, the roster of chains offering the glutton's delights continues to grow at a rapid gait.

"People are almost expecting [a food bar] now; it's a way of life," says Fred P. Gonzales, president of JB's Restaurants, one of the first family restaurant operators to deploy food bars.

In recent months alone, Chi-Chi's, the Mexican dinner-house operator, has initiated tests of a 30-item "plaza buffet." General Mills' ailing York concept has dropped "Steakhouse" from its name in an attempt to reposition itself as a buffet concept. And Marriott has unveiled a new family restaurant called Allie's, which uses an all-you-can eat spread as a major drawing card.

Bonanza, which parlayed its salad bar into a hot-and-cold array early in the game, is launching two new versions. The chain has developed a new health-oriented buffet called The Lighter Fare, which features foods high in fiber and low in calories, sodium, and fats.

The chain recently told franchisees that new units and stores suitable for conversion will be outfitted with what amounts to a miniature food court called Freshtasktiks Food Fare, with five separate food bars. In addition to Lighter Fare, the five stations will include buffets called Soups and Breads; Hot and Hearty, with appetizers and side dishes; Freshtastiks, the food bar Bonanza currently sports; and Desserts.

"This puts us in a unique position," says William Tate, who holds the Bonanza franchise for West Virginia. "People are really nervy. They'll actually come in and walk around before deciding if they'll stay to eat."

He explained that the proliferation of food bars has made consumers more choosy about where they plunk down cash for unlimited trips to the trough.

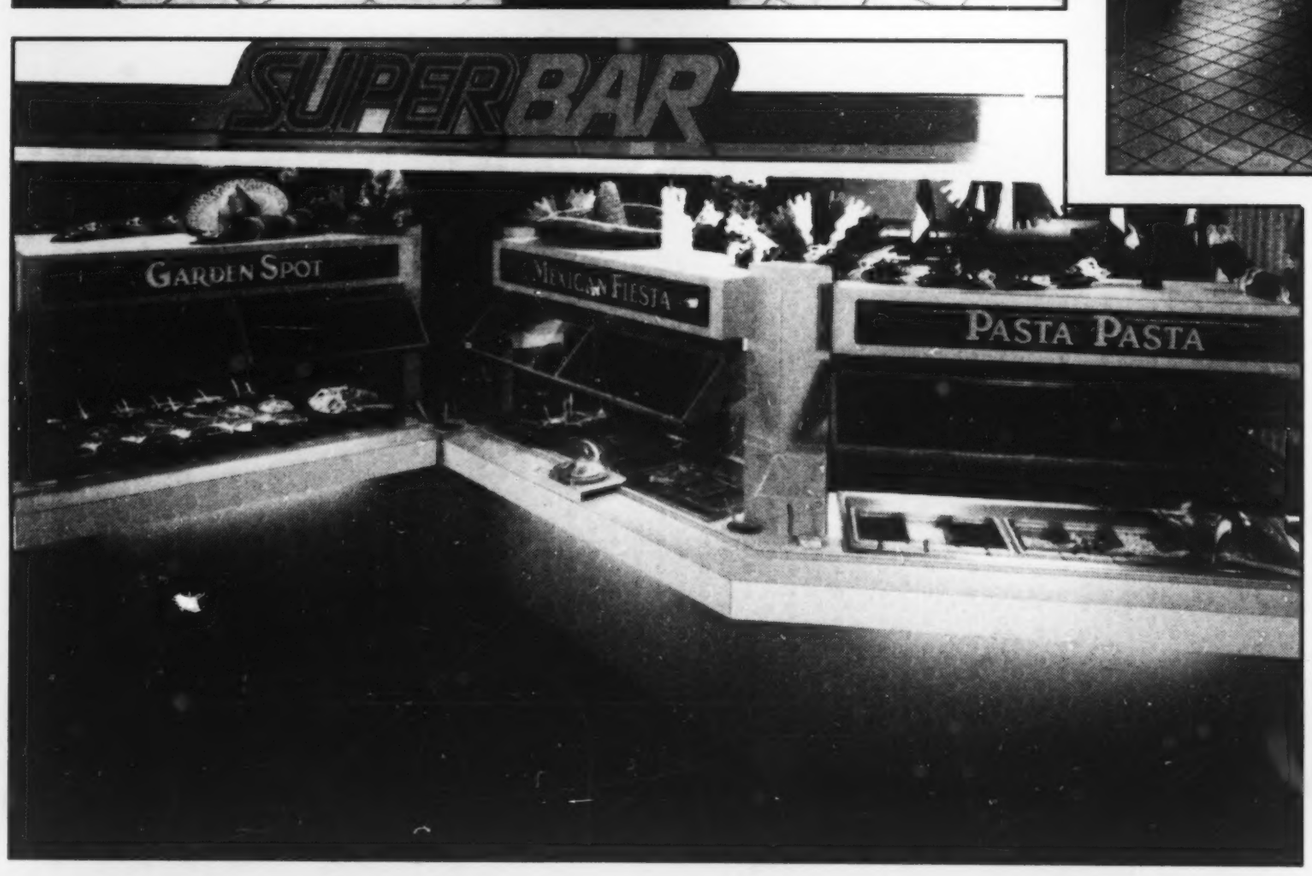
Jeff Rogers, USA Cafes president, said Lighter Fare would give people concerned with nutrition or who are on a salt- or cholesterol-restricted diet a "great reason to visit Bonanza."

Until recent years, the bars were wielded primarily by a few smorgasbord chains, such as Old Country Buffet, Duff's, and King's Table, and family steak-house chains like Bonanza, Ponderosa, Sizzler, and Ryan's.

Many of the latter chains embraced the concept as a turnaround vehicle.

Left: Jeff Rogers, president and chief executive officer at USA Cafes L.P., stands between the 'Lighter Fare' and 'Freshtastiks' food bars at the recent franchisee convention.

Above: Sizzler, one of the first chains to sport the food bar, continues to expand on the original concept.




Left: Wendy's Super Bar features Mexican and Italian specialties. The chain currently is testing the potential for Chinese food and pizza additions.

The effectiveness of the bar in that role drew the attention of Big Boy, Shoney's, and other coffee-shop chains.

Rax, the Columbus, Ohio-based fast feeder, saw food bars as a way to break out of the constraints of the traditional quick-service market.

Rax's success with what it calls the lunch-dinner bar did not go unnoticed by crosstown rival Wendy's, which last year launched an all-you-can-eat buffet called the Superbar as a key component of its turnaround effort.

Many chains that jumped on the bandwagon outfitted their spreads with Italian and Mexican fares, which are popular, easy to prepare, and inexpensive.

Ironically, one of the chains that refrained from putting pasta and Tex-Mex specialties on its bar was Ryan's, the Southeastern budget steak-house chain. The regional powerhouse drew enough patrons with the other hot entrées on its Megabar to post triple-digit sales and profit increases, making the company a Wall Street darling.

In recent months, however, Ryan's same-store sales have slipped, culminating in a 7.5-percent year-to-year drop in June. The decline precipitated the resignation of Ryan's young president, Mark McCall.

The chain and observers attributed the slippage to a 3-percent price hike and heightened competition resulting from the proliferation of food bars.

"Ryan's is suffering from some core customer fatigue," says Bryan Elliott of Robinson-Humphrey Co., the Atlanta brokerage.

"We've had a loss of repeat business, and there's less disposable income and more competition," McCall commented before stepping down.

Ryan's recently added Mexican and Italian specialties to its bar and is converting the spread to a breakfast buffet on weekend mornings.

Other chains have reached farther afield in their search for new products for their food bars.

The Wendy's hamburger chain, for instance, is testing the viability of putting Chinese food and pizza on its new Megabar, the hot-and-cold buffet that is still being rolled systemwide. The bar currently features salad fixings, Mexican finger foods, pastas, and top-your-own baked potatoes.

In a bid to boost traffic this summer, Rax recently added a make-your-own-miniature-sandwiches station to the lunchtime version of its bar. Several new cold pasta items were added to the dinner array.

Sizzler, a pioneer of the food bar, is continuing to expand its buffet. The chain recently added a soup station and is contemplating an ice-cream bar.

As part of an attempt to update its image, the Shakey's pizza chain has expanded its salad bar into a full lunch and dinner buffet, complete with marinated fried chicken, fruits, potatoes, and pizza crusts.

A Pizza Hut franchisee in San Antonio, Texas, is featuring an all-you-can-eat, $3.99 luncheon buffet during weekdays and a dinner array on Tuesday nights. Featured are pizza, pasta, garlic bread, and salad fixings.

Ponderosa, a competitor of Sizzler, Bonanza, and Ryan's, recently added a new 80-item food bar stocked with clam strips, chicken wings, popcorn shrimp, and other appetizers. The Grand Buffet is a complement to the chain's earlier buffet, which includes pasta, soups, chili, fruits, and salads.

Western Sizzlin', a competitor of Ryan's and the other budget steak-house chains, is trying to differentiate its bar from the rest of the pack by stocking it with such regional specialties as turnip greens. Chicken entrées and home-style desserts are also featured.

# FOCUS | TOP 100

# BIG 4 EMERGE

## *LBOs, mergers produce conglomerates*

**By Richard Martin**

Leveraged-buyout fever and merger mania reshaped the food-service industry over the last few years and produced at least four new restaurant conglomerates that defy comprehension because of their size, diversity, and sudden genesis under new corporate names.

Those four companies are American Restaurant Group, Paragon Restaurant Group, Restaurant Enterprises Group, and TW Services. All the outfits (with the exception of TW Services) are privately owned, instead of being arms of publicly traded corporations, as they were in their former incarnations.

**American Restaurant Group**
Newport Beach, Calif.
**Annual sales:** $550 million
**Number of units:** 360
**Main concepts:** Grandy's, Stuart Anderson's Black Angus, Velvet Turtle, Spectrum Foods dinner houses, and Spoons Grill & Bar

**Paragon Restaurant Group**
San Diego
**Annual sales:** $233 million
**Number of units:** 105
**Main concepts:** Rusty Pelican, Carlos Murphy's, Boathouse, and Hungry Hunter

**TW Services**
New York
**Annual sales:** $3.5 billion
**Number of units:** 2,595 plus 1,700 contracts
**Main concepts:** Denny's, Winchell's, El Pollo Loco, Canteen Corp. (contract feeder), Spartan Foods (Hardee's franchisee), and Quincy's Family Steak Houses

One way to grasp the scope of those companies is through brief histories, references to their former ownerships and identities, and thumbnail listings of their chain holdings.

- American Restaurant Group, based in Newport Beach, Calif. and with estimated annual sales of $550 million, comprises the former Saga Corp. restaurant group (the Grandy's, Stuart Anderson's Black Angus, Velvet Turtle, Spectrum Foods, and Spoons Grill & Bar chains).

Three hundred sixty-unit ARG was formed in 1986 by former W.R. Grace restaurants chief executive Anwar Soliman and his partners, who paid an estimated $275 million to buy the group from Marriott Corp. upon its acquisition of Saga (Marriott coveted only Saga's extensive contract food-service operations). ARG is owned principally by chairman and chief executive Soliman; Ralph Roberts, president and chief operating officer; William McCaffrey, chief financial officer; John Ghuzzi, development vice president; Harold Fox, finance vice president; and William Partridge, purchasing-distribution vice president.

- Paragon Restaurant Group, based in San Diego and with estimated annual sales of $233 million, is essentially the former Vicorp Specialty Restaurants subsidiary of Denver-based Vicorp Inc. plus the recently acquired Rusty Pelican seafood dinner-house chain.

Paragon Restaurant Group, with a total of 105 restaurants, still largely comprises the dinner-house chains (Hungry Hunter, Mountain Jack's, Boathouse, and Carlos Murphy's) of Foodmaker Inc.'s old Continental Restaurant Systems division, which Vicorp bought in 1984.

PRG, which adopted its current name last year, was formed in 1986 when former Vicorp chairman Gordon Miles and top management of the San Diego company paid Vicorp $112.5 million for the then-87-unit group. PRG bought the 22-unit Rusty Pelican chain last November for $25.6 million.

PRG's senior management includes chairman and chief executive Miles; Thomas Doan, the 17-year-veteran president and chief operating officer of the group; Alan Binder, vice president and finance chief; Steven Wittert, operations vice president; William Seckinger, marketing vice president; and Anthony Zolezzi, purchasing-distribution vice president.

- Restaurant Enterprises Group

*(See **BIG FOUR**, page F100)*

**Restaurant Enterprises Group Inc.**
Irvine, Calif.
**Annual sales:** $1.2 billion
**Number of units:** 700
**Main concepts:** Houlihan's, El Torito, Carrow's, Coco's, Darryl's, Baxter's, Gladstone's 4 Fish, and Las Brisas

# DECLINING DOLLAR GOOD FORTUNE FOR CHAINS OPERATING ABROAD

**By Rick Van Warner**

Although the declining value of the U.S. dollar in global currency markets over the past couple of years has spelled trouble for the national economy, some American chain restaurateurs operating abroad have actually benefited from the phenomenon.

Cashing in on favorable exchange rates, those operators have reported record earnings and sales from their international operations.

McDonald's, the international leader in systemwide sales volume, with $3.75 billion in fiscal 1987, says better exchange rates than those of 1986 added about $372 million to its sales total.

Of that number, $134 million was a result of the stronger Japanese Yen vs. the U.S. dollar.

International operations at McDonald's, which consist of about 2,570 restaurants in 49 countries, accounted for 26 percent of the company's systemwide sales, 30 percent of revenue, and 24 percent of profits in 1987.

**A McDonald's unit in Paris.**

**Kentucky Fried Chicken in Japan.**

Kentucky Fried Chicken, which is the leader in worldwide presence, with about 2,875 stores in 56 foreign countries, also has benefited from the battered dollar.

KFC posted international systemwide sales of about $1.4 billion in fiscal 1987.

"The effect of the weakened dollar has been positive, but there's been real growth as well," says spokesman Gregg Reynolds.

"We're in a fortuitous position in that we've posted record international sales and profits every year of this decade."

Although favorable exchange rates have buoyed sales, the effect on profits appears to be less significant.

"Two to three percent of our international sales [in 1987] were impacted by the weaker dollar," McDonald's chief financial officer, Jack Greenberg, said at the company's annual meeting, "but there was a much smaller effect on earnings. In some startup countries we're still losing rather than making money."

In addition, the overall impact of the devalued dollar on overseas operations depends on where the restaurants are concentrated.

Although McDonald's and Kentucky Fried Chicken benefit from the strong Yen in Japan, both also have many stores in countries such as Canada and Australia, where the dollar has been stronger.

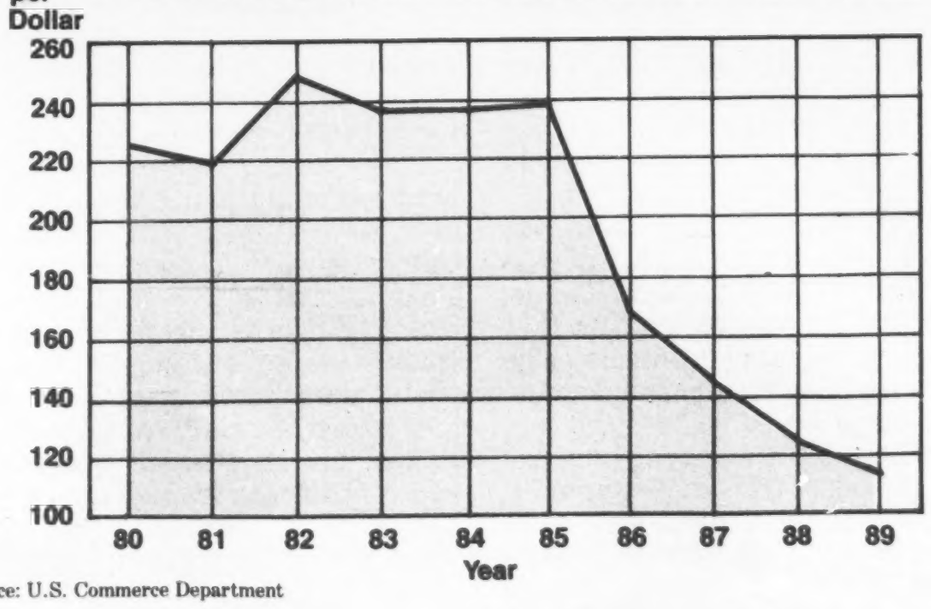
"We have a lot of units in Canada and Australia, where the currency is stable," Greenberg said. "That has mitigated the effects."

And it remains unclear precisely how much effect the devalued dollar has really had on the international operations of national restaurant chains. In some cases the devaluation may simply serve as a tool for companies to brighten their results.

"It doesn't mean anything to them in terms of operations," says analyst Jay Freedman of Kidder, Peabody, New York. "They still pay for labor and supplies locally.

"The bottom line is that it doesn't really make much difference."

**EXCHANGE RATE: JAPANESE YEN VS. DOLLAR**




Source: U.S. Commerce Department

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# IN SEARCH OF LABOR SOLUTIONS

*The labor pool drought has driven companies to seek out new labor sources by offering workers of benefits and incentives to make jobs more appealing*

By Bill Carlino

Beset by skyrocketing turnover and a widening labor shortage, restaurant operators nationwide search for solutions to successfully recruit and retain employees.

"Within the last three to four years, the industry labor shortage has reached what can be accurately called crises proportions," says F. Lane Cardwell, vice president of strategic planning for the S&A Restaurant Group. The Dallas-based corporation operates 208 Bennigan's and 168 Steak and Ale restaurants. "And it has hurt both independent and chain operators," he adds.

Eating and drinking places currently operate with a deficit of 200,000 employees, according to results of a recent National Restaurant Associaation-commissioned Gallup Poll. Experts predict that at peak volume periods, the employee drought might top one-quarter of a million workers.

"The labor pipeline in the industry is drying up, and it's getting worse," says Marvin Saul, the owner of Junior's, a $6 million deli operation in Los Angeles. "When you have a low national unemployment figure, as we do now, restaurants are usually the first ones affected by a labor shortage."

Numbers supplied by the Bureau of Labor Statistics show that 6 million people were employed in eating and drinking establishments last year, representing 6 percent of total employment. Ironically, it was the highest total ever.

Median crew turnover for the industry hovers at 250 percent, while management turnover is rapidly approaching 50 percent.

"High turnover and continual rehiring bog any operation down," Cardwell says. "Many hourly positions are being price-pressured to stay competitive with higher-paying markets, and because of the increase in the number of restaurants, employees have a greater choice of where they want to work."

With one of the lowest national averages in the hourly wage, at $4.41, restaurants are hard-pressed to vie for the current labor pool. The average hourly wage for the restaurant industry rose just six cents from 1986 to 1987.

It is estimated that hiring an entry-level manager or hourly employee who does not work out can cost an operation up to to $10,000 in wasted training, insurance, and productivity. Half of employee separations occur within the initial 30 days of hire.

"A priority challenge is presenting food service as a viable career path," says Tom Mirgon, Eastern zone director of human resources for Taco Bell. "Traditionally, ours has lagged far behind other businesses in regard to wages, benefits, and upward mobility. Many times people work in restaurants while they wait for better-paying jobs to come through."

Although their operations may differ, industry executives agree that motivation and incentive techniques are vital for hiring and retaining both unit-level management and hourly workers.

Restaurateurs have had to expand standard benefits packages to include profit sharing, performance bonuses, child-care allowance, paid sick leave, English language classes, and educational scholarships.

Dan Treirweiler, owner of 23 Burger King franchises in western Michigan, slashed a crew turnover average of 300 percent by offering free child care for mothers working in hourly positions and $2,500 in college tuition reimbursement for students.

New York McDonald's franchisee Pete Samaha bypassed the traditional minimum wage as a beginning pay scale and tailored employee incentive programs to meet the needs of his work force demographics.

"We start crew workers immediately at $4 to $4.25 an hour plus paid vacations and flexible hours if they need it," Samaha says. "We had workers who lived in the city and traveled to the suburbs, so we offered free train and bus fare."

While the amount of latitude in regard to hiring may vary with each operation, several companies have sought the services of the Job Service and Private Industry Council to assist in the search for employees. A number of operators have even resurrected older recruiting methods, such as tray liners and bulletin board posters.

The 3,800-unit Wendy's is currently offering cash rewards up to $50 to both employees who recommend workers who are hired and to the recruited workers themselves in addition to upgrading and expediting health benefits and insurance to the employees.

However, the teen-age work force, once a staple of the restaurant industry, is rapidly dwindling. By 1992 it is estimated that 1.5 million fewer teens will be employed in restaurants.

To combat that vacuum, operators like Treirweiler have successfully tapped the working-mother segment, while others prefer to hire more mature employees and, in some cases, senior citizens looking for part-time work.

As a hedge against management turnover, chains like the French-bakery concept Au Bon Pain and Golden Corral Steakhouse have increased sales and trimmed turnover by instituting partner-manager programs. With that program, unit managers can earn up to 50 percent of total profits exceeding the store's annual projected revenue.

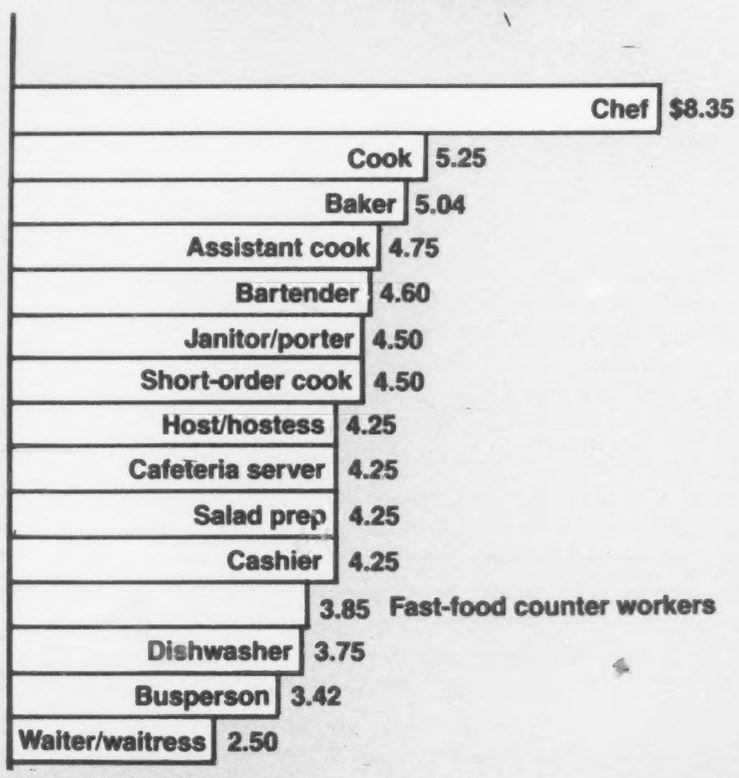
Spawned by Kentucky Fried Chicken franchisee Leon Harman in 1958, the partner-manager concept is based on the theory that a part-owner will work harder than an employee.

As a result of the partner-manager system, Au Bon Pain, which two years ago was plagued with a 40-percent management turnover, now boasts a voluntary management turnover of less than 5 percent, and it has hiked sales 24 percent.

"Today's labor market is basically a supply-demand relationship," one independent operator laments. 'The quality of your crew and management is generally contingent on what the operation has to offer. You really do get what you pay for."

**SURVEY OF WAGES FOR HOURLY FOOD-SERVICE EMPLOYEES**

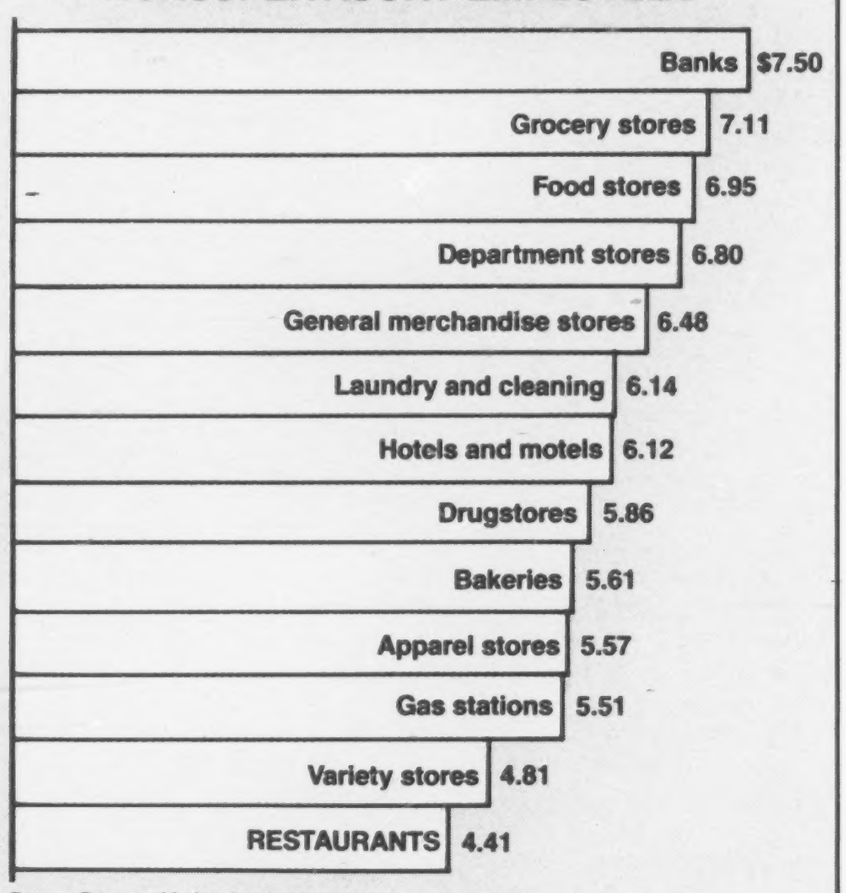
(Median hourly wage in dollars)



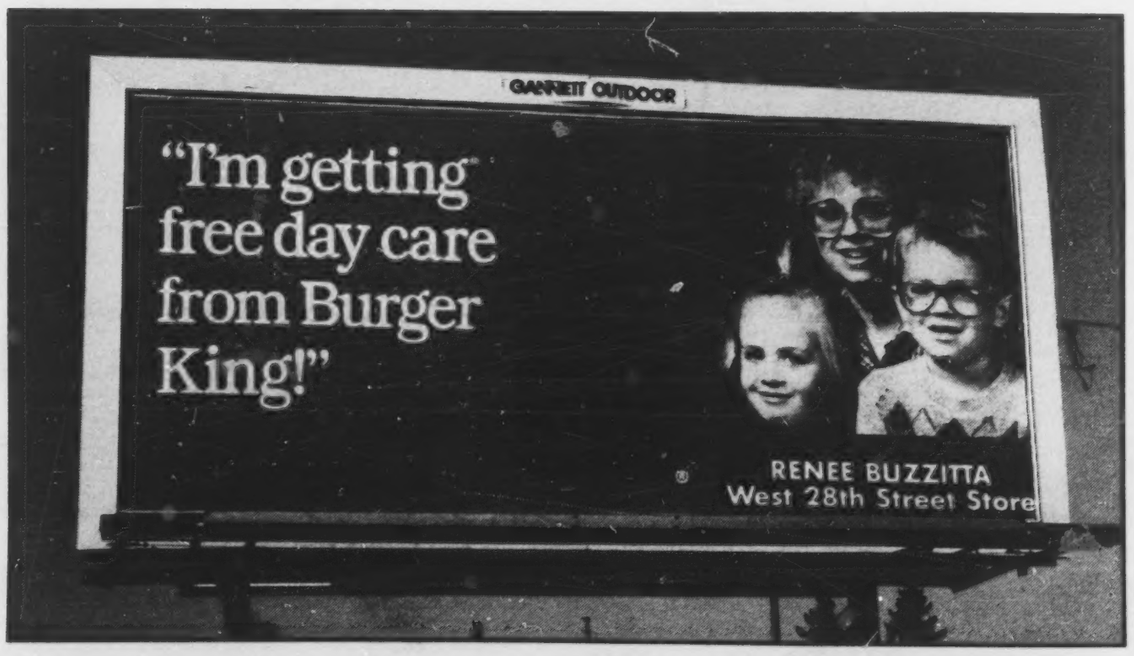

Note: For tipped employees, survey data represents cash wage excluding gratuities.

Source: National Restaurant Association

**1987 AVERAGE HOURLY EARNINGS FOR NONSUPERVISORY EMPLOYEES**




Source: Bureau of Labor Statistics




**A Burger King billboard ad aims toward recruiting working mothers.**

*Restaurateurs have had to expand standard benefits packages to include profit sharing, performance bonuses, child-care allowance, paid sick leave, English language classes, and educational scholarships.*

# FOCUS | TOP 100

# THE TOP 100 CHAINS

NRN Photo

**McDonald's opened its 10,000th unit in Dale City, Va., last April.**

*The world's largest restaurant chain is expanding its presence around the globe, with 40 percent of the 550 units it plans to open this year slated for foreign soil. McDonald's will break new ground in the Soviet Union, Yugoslavia, Hungary, and South Korea.*

## 1

**Chain: McDonald's**
**Headquarters: Oak Brook, Ill.**
**Annual sales: $15.8 billion**
**Sales per unit: $1.6 million**
**Number of units: 10,420**

Industry leader McDonald's, striving to keep sales humming and maintain its string of successful new product introductions, is testing a chicken fillet sandwich, a revamped McPizza item, breakfast tortes, and regional offerings including a steak biscuit sandwich.

Meanwhile, the world's largest restaurant chain is expanding its presence around the globe, with 40 percent of the 550 units it plans to open this year slated for foreign soil. McDonald's will break new ground in the Soviet Union, Yugoslavia, Hungary, and South Korea.

And keeping one eye on the future, McDonald's is enhancing its restaurants to provide maximum labor efficiency. New equipment includes a clamshell grill, which reduces cooking times; a mini-computer, which reduces the time managers must spend in the office; and a high-speed toaster.

## 2

**Chain: Burger King**
**Headquarters: Miami**
**Annual sales: $5.3 billion**
**Sales per unit: $1 million**
**Number of units: 5,600**

At the same time Burger King is deploying limited-time and regional menu promotions in attempts to stimulate excitement in its stores, it is receiving positive feedback from the "We do it like you do it" advertising campaign. It is arguably the chain's best advertising effort since the infamous "Battle of the Burgers" commercials aired early in the decade.

The nation's No. 2 hamburger chain is banking that its rejuvenated marketing program will lift it out of the doldrums. Until recently, Burger King has suffered through three consecutive years of flat sales, which have been blamed largely on lackluster advertising.

Recent short-term or regional promotions include the "Big Cheese," a double hamburger with three types of cheese; the Wolf brand chili cheeseburger; the revival of the Yumbo, a ham and cheese sandwich on a bun that was first introduced in the 1970s; and stuffed Alf characters from the popular television series.

## 3

**Chain: Kentucky Fried Chicken**
**Headquarters: Louisville, Ky.**
**Annual sales: $4.3 billion**
**Sales per unit: $672,000**
**Number of units: 7,800**
**Average per-person check: $5.15**

Kentucky Fried Chicken's rollout of Chicken Littles last year continues to draw mixed reaction. Many franchisees complain that the sandwiches narrow margins and raise labor and equipment costs, while the chain reports sales gains, especially at lunch.

Meanwhile, KFC is testing larger, more cost-effective sandwiches, and company stores are returning some higher-priced sandwiches to menu boards after having removed them to make way for Chicken Littles. Home delivery tests in several cities are also continuing, as is an image-updating refurbishment program.

With the successful opening of the first quick-service restaurant in the People's Republic of China last fall, KFC is expecting "long-term" further expansion there.

## 4

**Chain: Hardee's**
**Headquarters: Rocky Mount, N.C.**
**Annual sales: $3.3 billion**
**Sales per unit: $930,000**
**Number of units: 3,000**

Hardee's has rolled out breast-meat chicken sticks and switched over to vegetable oil for all of its frying needs in a continuing effort to broaden its customer base and enhance its image among health-conscious patrons.

Chicken Stix, along with prepackaged salads and ice cream, which were introduced several months ago, have greatly helped the hamburger chain broaden its appeal, particularly among women and children. At the same time, Hardee's is promoting its use of vegetable oil—most of its principal competitors still use animal fat—through in-store merchandising and advertising. Menu items with nutritional benefits are also included in an arsenal of test products.

Meanwhile, Hardee's has revived its successful California raisins campaign as it continues to deploy premium promotions instead of discounting.

## 5

**Chain: Wendy's**
**Headquarters: Dublin, Ohio**
**Annual sales: $3 billion**
**Sales per unit: $780,000**
**Number of units: 3,950**

Led by its rejuvenated "Hamburger A" advertising campaign and its fledgling Superbar, a hot and cold buffet, Wendy's is showing signs of life after two years of dismal results.

Having completed a back-to-basics drive that included slashing corporate overhead, reformulating its hamburger, and updating its image through new uniforms and brighter unit interiors, the hamburger chain is now focusing on ways to reduce service times. Wendy's is also looking at ways to enhance its drive-thru operation, including a separate "fast lane" ordering kiosk, headsets, and timers.

A 30-second service guarantee has been tested in some markets.

On the product front, Wendy's is rolling out a 2-ounce hamburger designed to attract younger patrons, and the fast feeder continues to rotate new products onto its Superbar. Test products include a bacon and Swiss cheese hamburger, a Philly Swiss hamburger, and pizza.

## 6

**Chain: Pizza Hut**
**Headquarters: Wichita, Kan.**
**Annual sales: $3 billion**
**Sales per unit: $540,000**
**Number of units: 5,900**
**Average per-person check: $10.50**

Hailing the launch of Hand-Tossed Traditional pizza as one of the most important in its 30-year history, Pizza Hut expects record sales from the new product, which is being supported by a major advertising blitz. The New York-style pizza is targeted at the heavy pizza user and falls in the product category between the chain's thin and crispy pie and the deep-dish Pan pizza.

Meanwhile, Pizza Hut continues to expand its delivery operations, expecting to have some 1,800 delivery locations by year's end, either restaurant based or delivery-only units.

The chain is also making service a priority. It is gearing up operationally to meet higher service standards and at the same time is giving awards to employees for "legendary" service.

## 7

**Chain: Domino's Pizza**
**Headquarters: Ann Arbor, Mich.**
**Annual sales: $2.3 billion**
**Sales per unit: $439,000**
**Number of units: 4,700**
**Average per-person check: $10.80**

Domino's Pizza, known for its 30-minute delivery guarantees, now is touting product guarantees as well. Reacting to consumer complaints about the quality of pizza, the chain claims to have made an improvement and is backing it up with a guarantee.

The breakneck growth rate at Domino's has slowed; now it is striving to maintain "consistent growth," both on a domestic and international front.

The delivery-only chain plans to crack the tough New York City market with 40 openings by the end of 1989.

## 8

**Chain: Dairy Queen**
**Headquarters: Minneapolis**
**Annual sales: $ 2.0 billion**
**Sales per unit: $401,250**
**Number of units: 5,080**
**Average per-person check: $2.30**

Buoyed by new product sales and expansion of its twinning program, Dairy Queen expects sales to top $2 billion in 1988.

So far this year, the chain has added four Treat Centers, which combine International Dairy Queen Inc. concepts of Dairy Queen, Karmelkorn Shoppes, and Orange Julius, to its seven existing Treat Centers. And Dairy Queen plans to add at least three more in 1988.

Dairy Queen's newest products include its premium frozen novelty, the Chocolate Mountain Bar, and its signature Homestyle Ultimate Burger.

## 9

**Chain: Marriott Food & Services Management**
**Headquarters: Bethesda, Md.**
**Annual sales: $1.9 billion**
**Sales per contract: $969,990**
**Number of contracts: 1,956**

Marriott Food & Services Management's full integration of the accounts acquired with Saga Corp. in 1986 should enable the contractor to quickly parlay its national presence into new business, some analysts say.

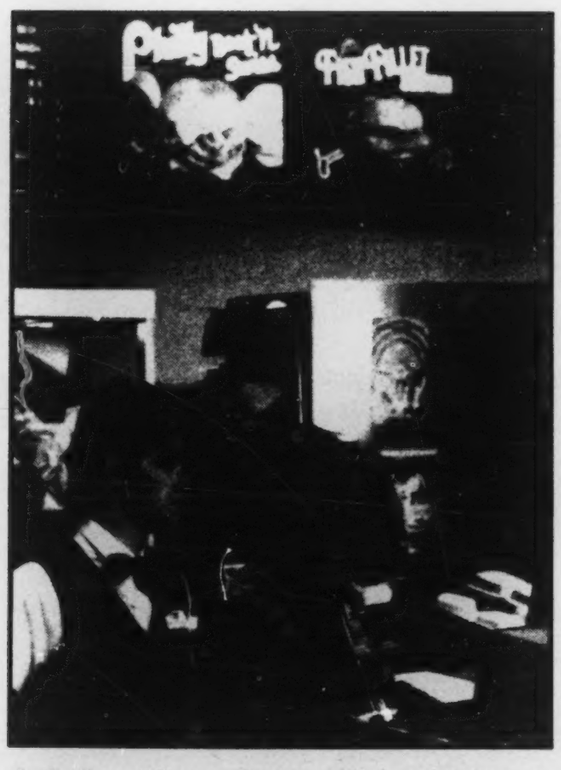
Michael G. Mueller, of Montgomery Securities in San Francisco, says the Marriott division could realize "a rapid amount of new account growth" just by filling in markets where it now operates. The company projected an account growth rate of about 3 percent for 1988, saying it expects to net about 60 new contracts, and said the integration of Saga accounts in 1987 resulted in "substantial administrative and procurement cost reductions."

Marriott has reportedly vowed to do a better job of "monitoring" customer satisfaction to avoid "big surprises" in the form of lost business at account review time. And analyst John J. Rohs, of Wertheim Schroder & Co., says he was encouraged by Marriott's plans to open more of its branded fast-food concepts in contract venues because the name recognition of the branded operations often boosts sales per square foot.

# FOCUS | TOP 100

*'Our mood is very optimistic, and there's a renewed team spirit here,'' says a member of Denny's pared-back executive staff.*

*Constantly testing and adding new products to its menu, Arby's is bolstering its position as the chain with an alternative to burgers.*



**Arby's adds such 'non-burger' items as the Philly Beef 'n Swiss and the Fish Fillet to its diversified line.**

## 10

**Chain: Taco Bell**
**Headquarters: Irvine, Calif.**
**Annual sales: $1.7 billion**
**Sales per unit: $636,463**
**Number of units: 2,726**
**Per-person check average: $3.28**

Taco Bell is getting ready to introduce a full breakfast menu next year as part of Project 300, an ongoing sales drive which has included lunch and dinner rollouts of steak fajitas and other products.

Project 300 was designed to boost per-store sales by $100,000 in annual increments. Among the new products Taco Bell is adding to its menu this year are a 99-cent Mexi-melt sandwich (ground beef, pico sauce, and Cheddar sauce in a flour tortilla) and chicken fajitas (available, for an extra charge, with sour cream or guacamole).

Parent Pepsico cited year-to-year declines in Taco Bell's operating profits in an explanation of the conglomerate's second-quarter results. Pepsico said it hopes to add another 1,000 units to the 2,726-unit Taco Bell chain by 1990.

## 11

**Chain: Sheraton Hotels**
**Headquarters: Boston**
**Sales: $1.5 billion**
**Sales per unit: $3.1 million**
**Number of units: 479**

In 1988 Sheraton's International Hotels Division opened the 782-room Disneyland Park hotel in Tokyo, while domestically construction is under way on a 1,500-room property at Florida's Epcot Center.

In New York Sheraton's landmark St. Regis property will close operations for one year as the 86-year-old hotel undergoes total renovation.

Currently in progress in nearly 100 domestic properties is the Culinary Festival Promotion. Participating Sheraton hotel restaurants are offering customers dishes just like those that will be entered in October's Culinary Olympics in Frankfurt, Germany.

## 12

**Chain: ARA Services**
**Headquarters: Philadelphia**
**Annual sales: $1.3 billion**
**Sales Per Unit (Contract): $723,526**
**Number of Units (Contract): 1,730**

ARA Services will go for its third promotional gold medal in a year this September when it provides food-service management advice to South Korea during the Summer Olympic Games in Seoul.

In addition to managing the contractors from Korea and other countries who will feed the athletes and spectators, ARA itself will be a contractor during the games. Spokesman John Gribbin says ARA will provide food and beverages to up to 1,200 NBC network employees and to the 7,000 people expected to stay or work in the press and youth "villages."

ARA managed food-service operations during the Pan American Games in Indianapolis in 1987 and the Winter Olympic Games in Calgary, Alberta, Canada, earlier this year.

The company does not always make money on international amateur athletic events but takes part, president Joseph Neubauer has said, because it supports athletics and because the games build employee morale and a positive corporate image. Olympic-themed promotions have been used in the past at many ARA accounts. Although declining to comment on the matter, the ARA executives who took the firm private in late 1984 reportedly recently offered an interest in the company to a group of middle managers.

## 13

**Chain: Denny's**
**Headquarters: La Mirada, Calif.**
**Annual sales: $1.3 billion**
**Sales per unit: $1.1 million**
**Number of units: 1,210**

Denny's, the largest chain in the family restaurant segment, jettisoned nearly 25 percent of its menu items in July and curtailed its flirtation with fancier, trendier dinner fare as part of a drive to accelerate service and refocus on "traditional" all-day, midscale attractions.

Typifying the chain's menu-marketing thrust are a "cross-day part" summer promotion of chicken-fried steak—in a breakfast combo ($3.59), a sandwich ($3.79), and a dinner ($4.99)—and the chain's continuing seasonal reliance on the long-popular Grand Slam Breakfast. Through its new menu Denny's has "pared back our dinner selections [such as pasta primavera and Dijon chicken] while maintaining a strong offering" of such evening staples as fried chicken, steak, and seafood dishes, according to Sue Henderson, advertising and promotion vice president.

Following a rash of high-level executive turnovers, staff layoffs, and other cost-cutting moves by new parent company TW Services, Denny's has generated improved operating margins and intensified its drive to franchise a less costly restaurant prototype. "Our mood is very optimistic, and there's a renewed team spirit here," says a member of Denny's pared-down executive staff.

## 14

**Chain: Arby's**
**Headquarters: Atlanta**
**Annual sales: $1.1 billion**
**Sales per unit: $650,000**
**Number of units: 2,100**
**Average per-person check: $2.62**

Constantly testing and adding new products to its menu, Arby's is bolstering its position as the chain with an alternative to burgers. "The Revolution," a new advertising campaign that is an extension of the earlier "Taste the Difference" campaign, emphasizes the theme and touts Arby's growing selection of non-burger sandwiches.

Several new theme sandwiches that are now being tested, including fajitas, chicken-fried steak, and the Mexicali beef and chicken sandwiches, may serve to boost the chain's average guest check. Arby's continues to deploy short-term menu promotions.

In other activities, Arby's has expanded its toll-free customer hot-line program to all of its company stores, it has opened three modular units in the Phoenix, Ariz., area, and it has rolled two mobile restaurants and is continuing to explore alternative sites, including gas stations, military bases, hospitals, and toll roads. In addition, some units have added self-contained dessert kiosks called Flour Pots, which sell cookies and other baked goods. A credit card program is being tested in other stores.

## 15

**Chain: Big Boy**
**Headquarters: Warren, Mich.**
**Annual sales: $1 billion**
**Sales per unit: $1.1 million**
**Number of units: 960**

"Refranchising" is the near-term goal of the Big Boy family-restaurant chain. It intends to fill regional vacuums that will be created by Utah-based JB's Restaurants' Oct. 1 severance of its Big Boy franchise ties and by ex-franchisor Marriott Corp.'s proposed conversion of its Southern Califoria Bob's Big Boys to the new Allie's concept.

"We'd be crazy not to fill those voids; they're excellent markets," says an insider at Warren-based Elias Bros. Restaurants, a large Big Boy group operator and the concept's new franchisor. "We're stagnating, and we've got to give our people the opportunity to expand."

New Western states franchising pacts could be signed before the end of 1988, an Elias Bros. source indicated. The territories of existing licensees have also been expanded. Another Elias priority is the brand unification of the Big Boy system that will remain after the abrupt pullout of 110-unit JB's and the phased exit of Marriott's 200-unit group. Elias' systemwide goal is to standardize menus, store signage, and logotypes, deleting the names of regional franchise companies that currently precede the "Big Boy" brand name.

Big Boy's under-$9 food bar promotions—which save on labor and provide instant gratification for patrons conditioned by fast-food concepts—would continue to be emphasized under Elias' leadership, a company official said. Touting Elias' differences from Marriott in terms of relative size and dedication to Big Boy, a company official says Elias will "get involved" with franchisees and "customize" marketing programs for them.

## 16

**Chain: Marriott In-Flite Services (airline catering)/Host (airport concessions)**
**Headquarters: Bethesda, Md.**
**Annual sales: $1 billion**
**Sales per flight kitchen and airport concession: $9.4 million**
**Number of flight kitchens and airport concessions: 108**

Trying to liven up the "institutional" ambience of most airport lounges, Host, the airport concessions arm of Marriott Corp., has converted about 80 watering holes at 20 airfields into sports-entertainment bars serving pizza, nachos, hot dogs, and beverages and featuring a theme package with team pennants and photos, memorabilia of local teams, and upgraded audio and video systems.

Host decided to give the one-theme approach a try, according to Kenneth Smith, the concessionaire's vice president of planning and business development, after "looking at what is currently viable and trendy on the street and saying to ourselves, 'The airport customer shouldn't be any different' [from other consumers]."

Host's development of contemporary concepts, such as the new sports-entertainment bars and its Fresh Express Cafe, which started out as a glitzy exhibition-cooking food court but is now being tested in a variety of down-scaled configurations, is apparently a response to pressure on the division's bottom line.

# FOCUS | TOP 100

**Waiter at Red Lobster serves customer one of the variety of seafood specials the chain features.**

**Chicago Hilton's Great Hall.**

*A $100M expansion plan is under way for Las Vegas' Hilton and the Flamingo, while $1.2 billion was invested on the refurbishment of 12 of Hilton's largest urban properties.*

## 17

**Chain: Red Lobster**
**Headquarters: Orlando, Fla.**
**Annual sales: $1 billion**
**Sales per unit: $2.6 million**
**Number of units: 400**
**Average per-person check: $11**

With seafood enjoying increased popularity, Red Lobster finds itself with 1988 per-store sales up $100,000 compared with fiscal 1987 results and customer counts rising 7 percent in the last two years. "Seafood promotions have heightened our value perception," Red Lobster spokesman Dick Monroe says of the 400-unit chain's $8.95 shrimp, crab, and lobster festivals.

Red Lobster has completed remodeling its stores—painting, sprucing up the awnings, putting up new signage, and installing new windows and adding fabric tablecloths. "Basically we've lightened things up and aired them out by freshening the accoutrements," Monroe said.

By early fall the 26 Seafood Broilers acquired last year will be converted into Red Lobsters, according to Monroe. The stores are located in suburban Los Angeles, San Diego, and San Francisco.

## 18

**Chain: Little Caesars Pizza**
**Headquarters: Farmington Hills, Mich.**
**Annual sales: $1 billion**
**Sales per unit: $421,000**
**Number of units: 2,375**

With 30 percent more units, a new pan-style pizza on its menu, and a national advertising blitz on the airwaves, Little Caesars' take-out-only strategy is expected to deliver sales of $1 billion this year.

Little Caesars developed its newest product, Pan! Pan! Pizza, to go head-to-head with Pizza Hut's blockbuster Pan Pizza product. And Little Caesars' ad campaign, which touts the chain's policy of offering two pizzas for the price of one, marks its first foray into network television.

For the advertisements, Little Caesars' executives tapped Cliff Freeman & Partners, the New York firm which was founded by the person responsible for Wendy's "Where's the Beef?" campaign.

## 19

**Chain: Marriott Hotels**
**Headquarters: Washington, D.C.**
**Annual sales: $980.2 million**
**Sales per unit: $5.2 million**
**Number of units: 188**

Marriott Hotels' food and beverage division is developing a new upscale seafood dinner-house concept called the Sea Grill in at least 14 Marriott hotels.

The company also recently inked a licensing deal with Washington-based Champion Sports Bars chain to open 10 Champions high-energy lounges in Marriott Hotels. Marriott is continuing its strategy of establishing a presence in various lodging market segments.

The company is continuing to develop its Residence Inn all-suites concept; Courtyard, a midpriced hotel-motel concept with a $60-to-$70 price range; and the budget-oriented Fairfield Inn, averaging $30 to $35 nightly. By 1989 Marriott plans 35 units of each concept nationwide in addition to its more than 100 Marriott full-service hotels and resorts.

## 20

**Chain: Canteen Corp.**
**Headquarters: Chicago**
**Annual sales: $925.8 million**
**Average sales per contract: $524,533**
**Number of contracts: 1,765**

Reacting to sales and traffic gains generated by new menu items, Canteen has added a steak-filled version of its Bigger Better Biscuits and a thick crust Pazelli's Pizza.

Marketing director Sheldon Silver says another signature item, the 2.5-ounce Classy Cookie now available at many accounts, is building traffic at breaks and proving popular as a mealtime "add-on" without cannibalizing dessert sales.

Because Canteen, along with most other food-service contractors, is competing with commercial feeders for the attention of workers during the day, Silver says the company is using more proprietary point-of-sales materials and signs to increase the "restaurant" look of its corporate dining rooms and cafeterias.

## 21

**Chain: Holiday Inns**
**Headquarters: Memphis, Tenn.**
**Annual sales: $826.5 million**
**Sales per unit: $523,000**
**Number of units: 1,579**

Despite declining revenues in 1987, Holiday Inns added 60 new hotels to the chain—the equivalent of opening a new hotel every six days.

Parent Holiday Corp's Embassy Suites Hotels account for nearly 60 percent of the all-suite domestic hotels, while the limited-service Hampton Inns Hotels have expanded to 152 properties with 31 properties under construction.

Earlier this year Holiday Corp. launched its Homewood Suites concept—a two-room suite equipped with an efficiency kitchen—and its gaming segment is expanding with the groundbreaking for a 468-room Harrah's hotel-casino in Laughlin, Nev.

## 22

**Chain: Hilton Hotels**
**Headquarters: Beverly Hills, Calif.**
**Annual Sales: $822 million**
**Sales per unit: $3.1 million**
**Number of units: 274**

Once a mainstay of midprice lodging, Hilton is diversifying its product mix with the launch of Hilton Suites Hotels and the franchised CrestHil by Hilton hotel concept.

Cresthil by Hilton offers rooms for $55 to $75 per night, while the Hilton Suites properties offer guests fitness facilities, a convenience store, and complimentary breakfast. Ten Hilton Suites are planned for operation by 1990.

A $100 million expansion plan is under way for Las Vegas' Hilton and the Flamingo, while $1.2 billion was invested on the refurbishment of 12 of Hilton's largest urban properties, including those in Hawaii, San Francisco, and Chicago. New York's Waldorf Astoria, one of Hilton's best known hotels, was also given an extensive renovation.

## 23

**Chain: Dunkin' Donuts**
**Headquarters: Randolph, Mass.**
**Annual sales: $808 million**
**Sales per unit: $484,000**
**Number of units: 1,810**

Dunkin' Donuts will double its convenience-store distribution program by year's end, according to the doughnut chain's vice president and treasurer, Richard Hart Jr.

The 1,810-unit chain currently markets its doughnuts through 350 7-Eleven and Circle K convenience stores and will bring that number to 700 this calendar year.

In 1988 Dunkin' Donuts will also complete its remodeling program while extending its line of hot croissant sandwiches.

## 24

**Chain: Jack in the Box**
**Headquarters: San Diego, Calif.**
**Annual Sales: $780 million**
**Sales per unit: $900,000**
**Number of units: 970**
**Average per-person check: $3.65**

Jack in the Box, spurred by the success of its menu diversification strategy, is again pressing forward with new-product offerings under its ongoing advertising theme "serious food that's fun to eat."

Foodmaker's regional fast-food chain is currently testing taquitos, a Mexican finger food that consists of shredded beef rolled in a fried tortilla shell; a grilled chicken breast sandwich; and three varieties of breakfast pitas, including a breakfast fajita pita made with scrambled eggs and fajita meat.

The chain is also reshuffling its prepackaged salad arsenal, replacing a pasta seafood salad with a Mexican chicken salad. In recent months the chain has introduced a chicken fajita pita and a line of finger foods that includes egg rolls, chicken fingers, and shrimp.

## 25

**Chain: Shoney's**
**Headquarters: Nashville, Tenn.**
**Annual sales: $780 million**
**Sales per unit: $1.4 million**
**Number of units: 660**

Facing up to the "maturity" of the heavily built family-restaurant market, Shoney's has decided to dramatically slow its recent 11-percent rate of company-store expansion and open its development territories to franchisees. Chief executive Mitchell Boyd calls the curtailment "an internal solution to external environment changes."

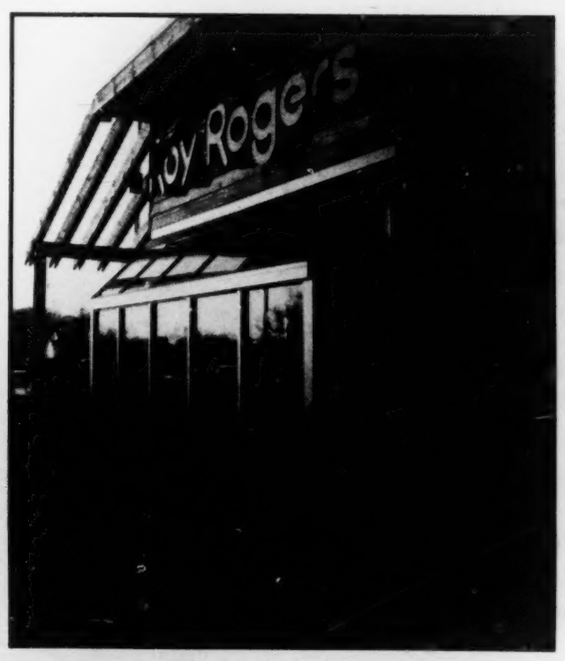
Shareholders recently endorsed the "slow-growth" strategy by approving the company's $730 million recapitalization plan, which will pay cash dividends and 12-percent interest. "The key [to Shoney's continued prosperity] is the opening up of franchising everywhere outside the Southeast," a company official says.

Franchisees will be enticed to open 40 of the total 45 restaurants the chain projects will be added to its fold in 1989. This year franchisees opened about 35 of the chain's 56 new outlets. With the emphasis in growth shifting to enhancement of same-store sales, the chain is planning to introduce home-style foods, such as Southern vegetables and such entrées as meat loaf and chicken à la king. A baked fish entrée was recently rolled out chain-wide, with predictions that it will eventually capture 2 percent of total sales.

# FOCUS | TOP 100

A 7-Eleven unit.

A Ponderosa unit.




A Roy rogers unit.

A Friendly unit.

## 26

**Chain: Long John Silver's Seafood Shoppes**
**Headquarters: Lexington, Ky.**
**Annual sales: $762.1 million**
**Sales per unit: $534,300**
**Number of units: 1,488**
**Average per-person check: $3.75**

Long John Silver's Seafood Shoppes has embarked on a 550-store remodeling project at a cost of $200,000 per store to accommodate an eventual systemwide rollout of a broiled seafood line.

The new broiled menu items, already available in some parts of the country, include halibut, shrimp, flounder, and cod dinners. A crispy breaded fish platter, a seafood pasta salad, and a Cajun shrimp dinner were among the menu products rolled out earlier this year.

The giant seafood chain, which controls an estimated 65 percent of the seafood fast-food market, will rack up annual sales of $762 million this year. But Long John Silver's is experiencing a decline of 4.5-percent year-to-year decline in average per-unit sales, according to analysts.

## 27

**Chain: Sizzler Restaurants**
**Headquarters: Los Angeles**
**Annual sales: $751.5 million**
**Sales per unit: $1.5 million (company-owned)**
**Number of units: 587**
**Average per-person check: $7.29**

Sizzler continues to expand its all-you-can-eat hot-and-cold buffet array with more and more food items as the chain distances itself from its original steak-house image.

Tostada and pasta bars have been added to almost all stores, resulting in sales increases, according to president Thomas Gregory. The company is now contemplating the addition of a self-serve ice cream bar, and is seeking to add reduced-portion, lower-priced "mini-meals," according to franchisees.

With annual sales of about $751.5 million and check averages of $7.29, Sizzler is a leader of the steak-house segment in those respects.

## 28

**Chain: Service America**
**Headquarters: Stamford, Conn.**
**Annual sales: $718.6 million**
**Sales Per Unit (Contracts): $692,293**
**Number of Units: 1,038**

Having used a leveraged buyout to escape the meddling of former parent Allegheny Beverage and to vanquish nagging creditors associated with some of Allegheny's overpriced acquisitions, the new owners of Service America say they have returned to decentralized management and expect a "reasonable rate" of growth.

Carr Newcomer, 65, Service America's president since December's leveraged buyout, says the now-private contract feeder was "meeting the [performance and repayment] goals established with the lender."

Principals in Servam Corp., the entity that now controls Service America, include Newcomer, the company's six zone presidents, its chief financial officer, 36 middle managers, and the New York banking investment firm of Morgan Lewis Githens and Ahn Inc. The buyout group gained control of Service America late last year by paying Allegheny Beverage, now called Alleco Inc., $345 million in cash and by assuming $105 million in debt linked to convertible debentures.

## 29

**Chain: Ponderosa**
**Headquarters: Vandalia, Ohio**
**Annual sales: $699.7 million**
**Sales per unit: $1 million**
**Number of units: 690**
**Average per-person check: $4.93**

Under new ownership for the second time in a year, Ponderosa is moving forward with new and upgraded products and plans for considerable domestic expansion.

Being tested are an upgraded beef program and a new Grand Buffet food bar that includes such appetizers as chicken wings, clam strips and popcorn shrimp. The new array is in addition to a bar sporting hot pastas and sauces, soups, chili, fresh fruits and salads.

Ponderosa, which is now owned by Metromedia Inc., a New York telecommunications firm, is building modular units more cheaply than standard ones and intends to develop them in smaller markets.

## 30

**Chain: Baskin-Robbins**
**Headquarters: Glendale, Calif.**
**Annual sales: $635.2 million**
**Sales per unit: $188,400**
**Number of units: 3,372**

Baskin-Robbins is banking on two new products to raise revenues.

The first, a soft-serve frozen yogurt, will be in more than 500 units by year's end. The yogurt, which was tested in a handful of stores last spring, comes in more than 20 flavors, ranging from vanilla to Kahlua and white chocolate. Toppings include fresh fruit, nuts, and candies.

In June 1988 Baskin-Robbins also began rolling out Low, Lite 'n Luscious. The low-fat dairy dessert is available in three flavors: chunky banana, jamocha chip and pineapple-coconut.

## 31

**Chain: Friendly**
**Headquarters: Wilbraham, Mass.**
**Annual sales: $605 million**
**Sales per unit: $715,000**
**Number of units: 860**

Friendly, Hershey Corp.'s ailing family restaurant/dipping-store chain, has curtailed expansion to help reverse a trend of flat or declining same-store sales. However, "overbuilt" conditions in the family segment, which depress average-unit customer counts, are expected to continue to "put pressure" on margins, a source at Friendly indicates.

Sluggish sales, which forced Friendly to lay off some 65 headquarters employees in April, are being compounded by the chain's difficulties in hiring sufficient numbers of restaurant workers. "We are devoting money and manpower to cultivate new sources of recruitment," a Friendly official says. To aid unit managers' hiring efforts, the chain has assigned specialized recruiters in its Eastern and Midwestern markets to visit schools, job fairs, and chambers of commerce.

Friendly recently rolled out a pair of less-than-$6 multicourse dinners—salad, grilled chicken or fried shrimp, and ice cream with syrup—in an attempt to build evening traffic. Test marketing continues on various pasta-based dishes, including fettuccine Alfredo, chicken cacciatore, and beef Stroganoff, which are priced from $3.50 à la carte to $4.99 for complete meals.

## 32

**Chain: 7-Eleven**
**Headquarters: Dallas**
**Annual Sales: $604.8 million**
**Sales per unit: $1 million**
**Number of units: 7,200**
**Average per-person check: $2.46**

Southland Corp. will have 1,000 fewer 7-Eleven convenience stores at the end of this year than it did when fiscal 1987 closed with 8,200 units, a chain-wide high. In a leaner posture following its leveraged buyout and divestiture of non-convenience store operations, the essentially private chain will see food service continue to increase as a percentage of total sales.

From only a 5-percent-of-sales level in 1982, food service grew to 8.4 percent in fiscal 1987—the result of 7-Eleven's success with deli-style sandwiches, which are now available in 57 percent of stores, and hot dogs and nachos, which are offered in 85 percent of units.

Now the chain is talking with Dunkin' Donuts and Winchell's about a possible branded breakfast program to tie in with morning coffee sales.

## 33

**Chain: Bonanza**
**Headquarters: Dallas**
**Annual sales: $596 million**
**Sales per unit: $960,000**
**Number of units: 650**
**Average per-person check: $5.50**

"We have accomplished our goal of becoming a budget meal restaurant," said Jeff Rogers, chief executive officer of USA Cafes, parent company of Bonanza.

Steaks now account for 35 percent to 40 percent of sales, falling behind combined volume of chicken, seafood, and salads. The chain is testing Italian items, including scampi, Italian chicken, and sirloin tips marinara, to enforce the image of variety and upgrade the buffet food bar.

A new Bonanza is opening every three days. Growth locations include Canada and Great Britain as well as older markets in the United States and Puerto Rico.

## 34

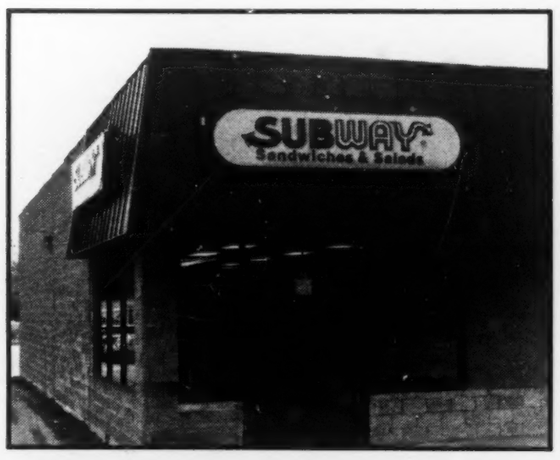
**Chain: Roy Rogers**
**Headquarters: Rockville, Md.**
**Annual sales: $575 million**
**Number of units: 610**
**Sales per unit: $935,000**
**Average per-person check: $3.60**

Targeting drive-thru patrons, Roy Rogers is testing three types of ExpressBurgers, the chain's first hamburgers that come with toppings.

Traditionally, customers top their own burgers at a Roy Rogers Fixin's Bar. An ExpressBurger owner's manual, a tongue-in-cheek booklet replicating an automobile manual, is anchoring a program promoting the new hamburgers.

Ongoing marketing efforts stress the variety available at Roy Rogers.The chain offers fried chicken, hamburgers, and roast beef specialty sandwiches. In recent months Roy Rogers has added hot cinnamon breakfast rolls.

# FOCUS | TOP 100




**A Subway unit.**

*After opening 825 Subway Sandwiches & Salads units last year, Doctors Associates Inc. expects to add 1,000 more stores during 1988 and another 1,000 next year.*

**A Popeyes unit.**

*Popeyes is gearing up for increased competition in its home New Orleans market with expected new store openings by industry leader KFC.*

GOLDEN CORRAL®
Our Steaks Taste Better
Because They Are Better.

## 35

**Chain: Church's Chicken**
**Headquarters: San Antonio, Texas**
**Annual sales: $520 million**
**Sales per unit: $360,000**
**Number of units: 1,450**
**Average per-person check: $3.81**

After suffering from two years of plunging sales, Church's Chicken is repositioning itself as the traditional provider of "price-value" chicken as part of a "back to basics" drive.

A new advertising campaign, "Big Pieces, Little Prices," is targeting the chain's traditional customer, the "downscale" ethnic market that is looking for value. The 99-cent Chicken Big sandwiches, the chain's answer to the competition's "little" sandwiches, are being promoted heavily.

Meanwhile, chief executive officer J. David Bamberger, who had trimmed overhead and menu items, recently turned over the presidency of the still-troubled chain to food-service veteran Ernest E. Renaud, formerly president of Golden Corral's parent, Investors Management Corp. He will have to deal with increased competition in the chicken business from McDonald's and Kentucky Fried Chicken and, at the same time, higher chicken prices.

## 36

**Chain: Westin Hotels**
**Headquarters: Seattle**
**Annual sales: $512 million**
**Sales per unit: $8.4 million**
**Number of units: 61**

An Italian food promotion, complete with a chef exchange with Italy, is scheduled for all restaurants within Westin domestic properties in the fall of 1988.

Although Westin expansion rate is slow relative to competing hotel chains, two sizable properties are scheduled to open in late 1988: the 760-room Walt Disney Swan Hotel at Epcot Center in Florida and a 570-room property in Indianapolis. Seven existing Westin hotels are scheduled for a upscale renovation program.

Through 1988 all hotels in the United States are offering the Westin Weekend promotion: a 50-percent room discount and a free breakfast.

## 37

**Chain: Bennigan's**
**Headquarters: Dallas**
**Annual sales: $500 million**
**Sales per unit: $2.2 million**
**Number of units: 215**
**Average per-person check: $7.75**

Bennigan's is attempting to acquire a "fresh look" through a new advertising campaign. "We're trying to pull ourselves out of the 'sameness' pack," says Lane Cardwell, senior vice president of strategic planning for S&A Restaurant Corp., the Pillsbury division which operates Bennigan's.

Bennigan's is also fine-tuning its menu, although the core sandwich and salad menu remains intact.

The 215-unit chain introduces new menu items three times a year, including such lower price-point items as soup and salad combinations and pita sandwiches.

## 38

**Chain: Subway Sandwiches & Salads**
**Headquarters: Milford, Conn.**
**Annual Sales: $500 million**
**Sales per unit: $167,000**
**Number of units: 3,000**
**Average per-person check: $3.99**

After opening 825 Subway Sandwiches & Salads units last year, Doctors Associates Inc. is expecting to add 1,000 more stores during 1988 and another 1,000 next year.

Midway through the current year, the company had 496 units under construction and needed locations to start up twice as many new franchises. Expansion has been targeted for the Northeastern corridor stretching from Pennsylvania to Maine.

Working on programs to enhance staff productivity, the company expects to roll out two new sandwiches: the Cold-Cut Combo and the Super Combo. A lack of smaller retail spaces hampers efforts to reduce unit size from the current 1,100-square-foot average.

## 39

**Chain: Western Sizzlin'**
**Headquarters: Augusta, Ga.**
**Annual sales: $487.5 million**
**Sales per unit: $792,700**
**Number of units: 615**

The popularity of steaks continues at Western Sizzlin', supplemented by hot and cold buffet bars.

The food bars are geared to regional tastes, with turnip greens and other Southern vegetables showing up in restaurants in the South, the chain's stronghold. Other foods are universal, such as salads, chicken entrées, and-home-style desserts.

This private, family-owned company continues a pattern of modest but steady growth.

## 40

**Chain: Popeyes Famous Fried Chicken & Biscuits**
**Headquarters: Jefferson, La.**
**Annual sales: $485 million**
**Sales per unit: $720,000**
**Number of units: 739**
**Average per-person check: $4.15**

With the addition of three new experienced top executives to strengthen its management team, Popeyes Famous Fried Chicken & Biscuits is seeking to become more aggressive in the competitive chicken category.

The spicy fried chicken chain claims it is embarking on a new strategic plan that includes significant store expansion and menu modifications, and it wants to nudge Church's from its No. 2 rank among chicken chains within 16 months. The effort will be directed by a new president, chief fiscal officer, and new executive vice president of marketing: James Flynn, Lewis Kilbourne, and Scott Burcham, respectively.

The third-largest chicken chain is also gearing up for increased competition in its home New Orleans market with expected new store openings by industry leader Kentucky Fried Chicken.

## 41

**Chain: Golden Corral**
**Headquarters: Raleigh, N.C.**
**Annual sales: $470.7 million**
**Sales per unit: $922,500**
**Number of units: 505**
**Average per-person check: $5.39**

Golden Corral is sticking with its original steak-house concept, still popular in the smaller cities of the South, Midwest, and Southwest, where it has the most restaurants.

The 10-year-old privately held chain is promoting its reputation for good-tasting steaks in a new advertising campaign. Rather than adding new units, Golden Corral concentrated on remodeling older ones in the last year.

Like other chains in the segment, Golden Corral offers a salad bar and non-red meat items, such as chicken. Careful not to stray too far from its mainstay best-seller, the company is promoting its grilled chicken product as being cooked the same way as a steak.

## 42

**Chain: Chi-Chi's**
**Headquarters: Louisville, Ky.**
**Annual sales: $468 million**
**Sales per unit: $2.5 million**
**Number of units: 191**
**Average per-person check: $8.50**

Since Chi-Chi's was purchased April 13 by Foodmaker Inc.—also parent company to Jack in the Box—the chain has been working on a three-point priority program. Chi-Chi's top concern is increasing per-store sales more than the current 6 percent compared with the same first-quarter period last year, according to Chuck Duddles, chief financial officer of Foodmaker.

"We're also concentrating on reducing management turnover, which is down to 30 percent compared with 80 percent three years ago," Duddles says.

Other keys to Chi-Chi's plan are unit expansion and the addition of more Mexican items to its already heavily Mexican menu. "We'll open 10 to 12 new Chi-Chi's in fiscal 1989, which wil bring us to about 135 company-owned stores," said Duddles, who visualizes "only one or two new franchised stores next year."

## 43

**Chain: Dobbs**
**Headquarters: Memphis, Tenn.**
**Annual sales: $449.2 million**
**Sales per unit: $6.5 million**
**Number of units: 69**

Airline caterer Dobbs International Services, along with Dobbs Houses and Carson International, which runs airport concessions, is putting stock in the future through quality enhancement efforts to reduce costs and improve service and through a "secondary cities" growth strategy.

Marketing chief George Alvord says the company is seeking to open by the end of the year the first of a number of scaled-down "secondary cities" flight kitchens at the fast-growing regional airport near Fort Meyer, Fla. He also says that Dobbs International Services' employees and customers have responded "positively" to the company's sale by Chicago retailer Carson Pirie Scott to longtime food-service and airport ground-services contractor Greyhound Corp.

Frank Martin, operations vice president of Dobbs Houses, says his company, like others, is using localized themes, foods, and beverages for airport shops. While Dobbs Houses is adding more table service facilities, Martin says one of the self-service concepts, Pizza Strada, a pizza-by-the-slice operation developed by sister company Carson International in Chicago, will also be expanded. Seven Pizza Stradas are now in operation.

# FOCUS | TOP 100

The Ramada Renaissance Hotel at Dulles Airport in Washington, D.C. Ramada is promoting Renaissance heavily to help rebound from first quarter losses.

Opening of a Carl's Jr. unit.

*El Torito is working on a new spin-off concept. . .'We're certainly not abandoning El Torito; we're just experimenting.'*

## 44

**Chain: Hyatt Hotels**
**Headquarters: Chicago**
**Annual sales: $443 million**
**Sales per unit: $3.2 million**
**Number of units: 135**

Hyatt Hotels, continuing to individualize its lodging properties, is opening a Latin-and-Chinese-themed restaurant called Juan Ton in the Hyatt Regency Miami and a '50s-style coffee shop featuring an eclectic American menu in the Hyatt on Sunset Boulevard in West Hollywood, Calif.

The luxury hotel chain that is downsizing and down-scaling has rolled out a country-style breakfast menu in coffee shops in 85 hotels, and it is continuing to open delis in selected properties. A test of the Country Breakfast pulled 70 percent of its customers from the local market.

Hyatt plans to build six new properties in the United States in 1989 in addition to making acquisitions.

## 45

**Chain: T.G.I. Friday's**
**Headquarters: Dallas**
**Annual sales: $405 million**
**Sales per unit: $3 million**
**Number of units: 135**
**Average per-person check: $9.95**

A slick new menu design and recast list of dishes are helping T.G.I. Friday's stay competitive in the casual theme segment.

Friday's new menu has lithographs and photos of popular dishes and distinct product categories. Gone are "slow moving" items like the hot Sicilian sandwich and steak and fish dishes; in their place are more pastas, according to Stephen King, spokesman for the 135-unit chain.

"The net effect is a slight decrease in food costs and little effect on labor costs," King says. "But we're more contemporary now."

## 46

**Chain: Carl's Jr.**
**Headquarters: Anaheim, Calif.**
**Annual sales: $399.3 million**
**Sales per unit: $939,800**
**Number of units: 444**

As a long, successful turnaround program nears completion, Carl's Jr. is focusing on products that appeal to contemporary health-conscious patrons.

The regional hamburger chain, which is enjoying double-digit real sales growth, recently added prepackaged salads and is touting the health and calorie benefits of its chicken club sandwich and other menu items. Additional products, including a healthier version of the chain's traditional California Roast Beef Sandwich, are being tested.

Meanwhile, Carl's Jr. is well on its way toward completing the remodeling and updating of its restaurants. The chain has also resumed expansion in its core Western markets and will soon open restaurants in Japan under a licensing agreement with Japan-based Friendly Corp.

## 47

**Chain: Rax**
**Headquarters: Columbus, Ohio**
**Annual sales: $390 million**
**Sales per unit: $730,000**
**Number of units: 590**
**Average per-person check: $3.02**

Rax is continuing an attempt to broaden its customer base through the ongoing evolution of its lunch and dinner self-service bar.

Recently, the chain introduced a make-your-own mini-sandwich section on the bar as well as cold pasta entrées and a chef salad. The food bar, which is accounting for about 30 percent of sales, includes products ranging from pasta, Mexican specialties, chili, and salads. Rax also recently introduced a chicken breast sandwich to its regular menu.

Meanwhile, the fast feeder is testing brunch in some units and a drive-thru-only outlet. Marketing efforts continue to emphasize the "Fast Food with Style" theme.

## 48

**Chain: El Torito**
**Headquarters: Irvine, Calif.**
**Annual sales: $378 million**
**Sales per unit: $2.1 million**
**Number of units: 180**
**Per-person check average: $7.40**

El Torito, having streamlined its operation by closing units, is working on a new, scaled-down spin-off concept called El Torito Grill.

The three El Torito Grills now in operation in California offer Southwestern-style cuisine instead of the Sonora-style Mexican food sold in the traditional El Torito.

"We're certainly not abandoning El Torito; we're just experimenting with this new concept," says a spokesman for El Torito's parent company, Restaurant Enterprises Group. The tests of El Torito Grill come at a time when growth in average unit sales has slowed to a 1.5-percent pace. Systemwide sales for 1988 are projected to decline by 10 percent from 1987.

## 49

**Chain: Perkins**
**Headquarters: Memphis, Tenn.**
**Annual sales: $370 million**
**Sales per unit: $1.2 million**
**Number of units: 345**

Outbid in its quest to acquire and convert the rival Shoney's South chain, the Perkins Family Restaurants chain is focusing instead on franchise expansion to high-volume locations as far afield as Canada. Meanwhile, the company reports steadily rising sales and profitability resulting in part from the continuation of a three-year-long shift in marketing enticements—from "coffee-shop" expediency to "family restaurant" attractiveness.

The chain's Summer Salads promotion—last year's was fruit salad in a pineapple boat, and this year's is spinach salad with hot bacon dressing—characterizes Perkins' aspirations to upgrade. Another "family" drawing card is the $4-to-$5.25 line of quarter-pound 'Frisco Melt sourdough sandwiches. The line includes cheese-topped burger, tuna, beef-cheese, and club sandwich melts.

Maturing baby-boomers who are newly saddled with family-rearing costs are "rediscovering" the family restaurants that some had presumed were passé, marketing vice president Patrick Morris asserts. To Perkins' advantage, "The population is finally moving from 'occasion' restaurants to 'family' restaurants," Morris comments.

## 50

**Chain: Sky Chefs**
**Headquarters: Arlington, Texas**
**Annual sales: $352.7 million**
**Sales per flight kitchen and airport: $10.1 million**
**Number of flight kitchens: 35**

Sky Chefs, a major player in airline catering, where reductions in service among domestic carriers continue to threaten margins, is confronting the challenge with the help of an award-winning menu development team, a policy calling for the testing of newly hired employees for drugs, and ultra-automated flight kitchens.

Earlier this year Sky Chefs became the first North American company to win the International In-Flight Catering Association's Mercury Award for a Japanese menu it jointly developed with American Airlines, its largest customer.

The company also recently opened flight kitchens in Cincinnati and El Paso, Texas, to replace facilities sold last year to terminal feeder Concession Air. Another kitchen is to open this month in Syracuse, N.Y.

## 51

**Chain: Sonic Drive-in**
**Headquarters: Oklahoma City**
**Annual sales: $350 million**
**Sales per Unit: $355,000**
**Number of Units: 978**
**Average per-person check: $2.10**

Having purged its system of several unprofitable units, Sonic Drive-in is forging ahead with new restaurant expansion, including its first unit in California.

The 1950s-themed drive-in operator is well into a retrofit-remodel program that will update the look of its restaurants and is targeting Florida for its next new expansion area. With most of its restaurants now working together through advertising co-operatives, the chain is also honing its marketing focus.

Major campaigns targeting Sonic's predominantly blue-collar customers include the Nifty Fifties campaign with spokesman Frankie Avalon, combination value promotions, and a speed and convenience campaign, all featuring the company's "faster and better than ever" tag line.

## 52

**Chain: Ramada Inns**
**Headquarters: Phoenix, Ariz.**
**Annual sales: $343 million**
**Sales per unit: $505,900**
**Number of units: 678**

Ramada inns and hotels is trying to rebound from a $500,000 first-quarter earning loss by stepping up promotions in its three distinct hotel brands—Rodeway Inns, Ramada inns and hotels, and the Ramada Renaissance Hotels.

The company has been restructuring its lodging chains following several years of sagging occupancy rates and declining profit margins. It recently acquired the economy chain Rodeway Inns in a move to widen its appeal to budget-conscious customers and started upgrading the standard Ramada properties.

Ramada recently sold 10 domestic hotels to a real-estate partnership. It also unveiled plans for a $60 million hotel and casino in Laughlin, Nev., with completion slated for early 1989.

# FOCUS | TOP 100

Mickey Mouse looks through a book of popular Disney recipes.

*The Walt Disney Co. has been recruiting culinary staff ambitiously in Atlanta; Houston; Miami; New Orleans; and Atlantic City, N.J.*

The sign at an IHOP unit.

*The IHOP chain is continuing its bridge from pancakes to other menu selections with a focused advertising effort.*

## 53

**Chain: Disneyland/Disney World**
**Headquarters: Burbank, Calif.**
**Annual Sales: $334 million**
**Number of units: 150 (Florida), 35 (California)**

The Walt Disney Co. has embarked on aggressive expansion efforts that will increase its theme-park food-service volume significantly this year and in fiscal 1989. Toward that end, the company has been recruiting culinary staff ambitiously in Atlanta; Houston; Miami; New Orleans; and Atlantic City, N.J.

Disney's expansion in California was led by its purchase of Disneyland Hotel, the Queen Mary, and Spruce Goose from Wrather Corp. Under way in Florida are three hotel and two entertainment park additions. Hotel space will grow from 5,000 rooms to 12,000 rooms by 1993.

At the Walt Disney World complex, dining space is being doubled in the 135,000-square-foot Shopping Village. A new Norway Pavillion at Epcot Center introduced Scandinavian fare with its Koldboard concept. Meanwhile, buffeteria dining is on the rise at Disney operations, where guests purchased 4 million burgers, 3.4 million orders of french fries, 1.2 million gallons of soft drink, and 3.2 million servings of ice cream last year.

## 54

**Chain: Pizza Inn**
**Headquarters: Dallas**
**Annual sales: $330 million**
**Sales per unit: $450,000**
**Number of units: 775**
**Average per-person check: $4.50**

Acquired by Pantera's Corp. last year, Pizza Inn is being merged with the nearly 100 Pantera's pizza units, making the chain the fourth largest in the business. Pantera's game plan is to grow even larger through acquisitions.

Meanwhile, two new menu items, New York-style pizza and Pizzert, a dessert pizza, are selling well, and they should help win more customers in the increasingly competitive battle for market share, according to chain executives.

Pizza Inn is also nearly doubling its advertising budget this year, and it has a new campaign developed by Chiat-Day, Los Angeles, that portrays the operator's pizzas as being underrated. The chain likens itself to Pizza Hut in that it has dine-in, carry-out, and delivery capabilities.

## 55

**Chain: International House of Pancakes**
**Headquarters: North Hollywood, Calif.**
**Annual sales: $328.7 million**
**Sales per unit: $692,000**
**Number of units: 475**
**Average per-person check: $4.50**

IHOP Corp. is celebrating its 30th birthday with a commitment to staff motivation, nutrition, new menu items, and bigger lunch and dinner sales at its 475 International House of Pancakes restaurants.

The chain is continuing its bridge from pancakes to other menu selections with a focused advertising effort, and, in an attempt to bolster morale and staff retention, is blitzing employees with motivational messages every three weeks.

While fruit garnishes are accompanying all meals, IHOP is pushing its newly introduced chicken breast sandwich. Company management and franchisees await the rollout of a new pancake concept during the summer.

## 56

**Chain: Whataburger**
**Headquarters: Corpus Christi, Texas**
**Annual sales: $310 million**
**Sales per unit: $840,000**
**Number of units: 470**
**Average per-person check: $2.30**

Whataburger is expanding a test of two new breakfast items—a potato side dish and cereal—and is experimenting with a new dessert item and a new salad.

The regional hamburger chain is also moving ahead with an interactive computerized network which is scheduled to be in all units by 1991. The Whataburger Information Network (WIN) provides nutritional information to customers and an opportunity for them to respond to questions about menu items.

In addition, the private company is adding 40 units in the Sunbelt by the end of its fiscal year. The new units will be blue and white instead of orange and white, with double and triple drive-thrus, and fewer seats than the old Whataburger units. They will be used primarily in markets outside of Texas.

## 57

**Chain: Morrison Custom Management**
**Headquarters: Mobile, Ala.**
**Annual sales: $305 million**
**Sales per unit: $363,095**
**Number of units: 840**

Recognizing the increasingly specialized demands of different customers, Morrison Custom Management has reorganized its sales and operations teams by market segment.

President Joe Byrum says the "market pure" approach means that sales and operations personnel, who once might have handled contract-feeding accounts in education, health care, and business, now will work in just one field.

Morrison Custom Management currently has about 95 percent of its accounts up for review, Byrum says, and has committed money to several programs designed to maintain and improve on that record, including one that dispatches a team of traveling culinary instructors to work with unit-level employees.

## 58

**Chain: Radisson Hotels**
**Headquarters: Minneapolis**
**Annual sales: $301.4 million**
**Sales per unit: $1.8 million**
**Number of units: 165**

Radisson is in the second year of a five-year expansion plan with a target figure of 360 hotels by 1992. The company plans to open a new property every 10 days next year, according to a spokesman.

Last year Radisson Hotels joined the burgeoning all-suite hotel market and currently has 15 all-suite hotels in operation. Four more all-suite properties are scheduled to open in the next 12 months.

Earlier this year Radisson began retailing chocolate chip cookies and gourmet coffee in selected company-owned hotel restaurants. More recently, the chain launched a "Grand Temptations" joint summertime promotion with Edy's/Dryer's, the supplier of Edy's ice cream.

## 59

**Chain: White Castle**
**Headquarters: Columbus, Ohio**
**Annual sales: $300 million**
**Sales per unit: $1.204 million**
**Number of units: 249**

White Castle, the 249-unit, family-owned hamburger chain, is continuing to evaluate the results of an expanded marketing program that is in test in Cincinnati.

As the customer base of the chain slowly ages, White Castle is promoting products for families in an attempt to capture the next generation of customers.

White Castle is also replacing older restaurants with new, modernized units with expanded seating and drive-thru windows. In other instances, new units are being constructed on the same pads where older outlets now sit.

## 60

**Chain: Morrison's Cafeterias**
**Headquarters: Mobile, Ala.**
**Annual sales: $295 million**
**Sales per unit: $1.9 million**
**Number of units: 164**
**Average per-person check: $4.60**

Morrison's Cafeterias, the segment leader, with 164 units in 38 states, is continuing to install vegetable bars, dessert bars, take-out windows, and on-line grills as part of its systemwide remodeling program.

The program, which costs an average of $215,000 per unit, is building sales and traffic counts, the company says.

In a shift in strategy, Morrison's is also adding seats to some of what had been take-out-only shops. The chain has 30 such outlets.

## 61

**Chain: Round Table Pizza**
**Headquarters: San Francisco**
**Annual sales: $280.7 million**
**Sales per unit: $515,000**
**Number of units: 575**

Round Table Pizza will double its delivery program to 200 units from 100 in the coming year.

Although initially the company was cold on delivery, executives now project sales increases of 15 percent to 20 percent for units that take their product to the customer.

Company plans also include opening about 25 units in the last quarter of 1988. The extra units are expected to help fuel systemwide sales increases of 12 percent.

## 62

**Chain: Furr's Cafeterias**
**Headquarters: Lubbock, Texas**
**Annual sales: $270 million**
**Sales per unit: $1.8 million**
**Number of units: 153**

Furr's Cafeterias has expanded an all-you-can-eat promotion to 80 of its 153 units.

The company said many of those units are reporting traffic increases of 25 to 30 percent.

In addition, the chain, which will not add any new units this year, is planning to expand a test of take-out and drive-thru.

# FOCUS | TOP 100

## 63

**Chain: Howard Johnson**
**Headquarters: South Weymouth, Mass.**
**Annual sales: $265 million**
**Sales per unit: $795,000**
**Number of units: 320**
**Average per-person check: $3.85**

The loose-knit Howard Johnson family restaurant chain, splintered into two camps following a divestiture by its British-based former parent company, is awaiting a massive facelift effort under the 140-unit Franchise Associates Inc. faction owned by franchisees. Meanwhile, predictions are that FAI will acquire additional units of Marriott Corp.'s 180-unit HoJo group—as many as 15 in 1989—while the balance of Marriott's units await disposition or conversion to other concepts—including Marriott's new Allie's family restaurant—over the next several years.

FAI has retained a concept consultant from California—whose past credits include Taco Bell, Mrs. Field's, and Bennigan's—to do a total revamping of the Howard Johnson facade, interior, menu, and uniforms. A handful of the new prototypes are slated for testing in the Boston area or upstate New York before the end of this year, FAI president Arthur Barrett says.

FAI intends to continue its three-year-long series of upgrades to the HoJos menu, which now offers a "Crabby Melt" sandwich, a fried clam-and-fish "Seawich," an "endless" salad bar, and a 15-layer lasagna and other pasta varieties. The planned food enhancements will be "not different from the rest of the [restaurant] world, but different for us," according to Barrett.

## 64

**Chain: Ground Round**
**Headquarters: South Weymouth, Mass.**
**Annual sales: $260 million**
**Sales per unit: $1.3 million**
**Number of units: 215**
**Average per-person check: $6.55**

Expansion is the big news at Ground Round these days.

The family steak-house chain—owned by British conglomerate Hanson Trust—is in the process of rehabilitating 20 Stuart Anderson's Black Angus & Cattle Co. restaurants purchased last March. The first "new" unit opened as a Ground Round in April.

The remaining Black Angus stores will reopen as Ground Rounds by year's end, according to Bob King, Ground Round's chief financial officer.

The merger seems particularly propitious for Ground Round because beef business is on the upswing throughout the chain. Systemwide sales, sales per unit, and per-person check averages are all up over last year's figures, according to chain officials.

## 65

**Chain: Bob Evans Farms**
**Headquarters: Columbus, Ohio**
**Annual sales: $259.2 million**
**Sales per unit: $1.4 million**
**Number of units: 201**
**Average per-person check: $4.40**

While expanding its red ranch-house outlets from a base in the Midwest, Texas, and Florida into new markets on the East Coast, the Bob Evans Farms family restaurant chain will focus on human resources to sharpen its competitive edge.

"Attention to hiring, recruiting, and training will help us keep our high level of service," says Keith Bradbury, vice president and finance chief. Cultivation of a young labor force gives those who work for Bob Evans Farms opportunities for advancement and enables the chain to grow, Bradbury explains. In the short term, that growth will come in large part from the inroads the chain is making into the Baltimore, Washington, D.C., and Philadelphia markets and from expansion into Dallas and other areas of Texas through development of its Owens Family Restaurant sister concept.

Although exhibition biscuit baking will be an ongoing feature, company insiders say the menu strategy at Bob Evans Farms increasingly involves satisfying customers' perceived appetites for "lighter" and low-cholesterol fare. That is the purpose of the chain's new seafood and salad items and breakfast alternatives, such as last year's rollout of oatmeal. Other recent rollouts: a seperate menu of dinner entrées costing less than $5, including beef stew, charbroiled catfish, petite rib-eye steak, country-fried steak, and meat loaf.

## 66

**Chain: Luby's Cafeterias**
**Headquarters: San Antonio, Texas**
**Annual sales: $254 million**
**Sales per unit: $2.4 million**
**Number of units: 113**
**Average per-person check: $4.48**

Luby's, with most of its units located in the Oil Patch states, is cautiously exploring new markets, especially Florida.

One unit is scheduled to open there this year, while the 113-unit chain debuts its first unit in Arkansas this year.

Although Luby's has the highest average sales volumes per store in the segment, with per-store tallies averaging $2.3 million in fiscal 1988, traffic is expected to be down slightly for the year. However, a price increase this past May boosted sales, and future price hikes may go into effect later in the calendar year.

## 67

**Chain: Chili's Grill & Bar**
**Headquarters: Dallas**
**Annual sales: $253 million**
**Sales per unit: $2 million**
**Number of units: 143**
**Average per-person check: $6.60**

Chili's Grill & Bar, which began as a gourmet burger, chili, and taco operation, has evolved into a 143-unit chain offering a wide-ranging list of menu items.

Most recently, Chili's rolled out shrimp fajitas, a children's burger, and the "Southwestern," an $8.45 platter consisting of grilled marinated shrimp on a bed of spiced rice. The shrimp fajitas complement Chili's existing line of chicken and beef fajitas, while the $1.95 burger and fries expands the children's menu beyond hot dogs and grilled cheese sandwiches, which are also priced at $1.95.

Chili's reported revenues of $210 million for its fiscal year ended June 30, compared with $177 million in fiscal 1987.

## 68

**Chain: Godfather's Pizza**
**Headquarters: Omaha, Neb.**
**Annual sales: $245 million**
**Sales per unit: $414,000**
**Number of units: 580**
**Average per-person check: $11**

Godfather's president Herman Cain and executive vice president Ronald B. Gartlan are still enmeshed in negotiations to purchase the chain from Pillsbury.

The proposed buyout comes at a time when the duo and other members of Godfather's executive team are attempting to resume a reversal of a steep, three-year sales. The turnaround effort focused on a back-to-basics program and new products, including Hot Slice and Stuffed Pie Pizza. More recently, Godfather's added a line of dessert pizzas in an attempt to bolster check averages and traffic.

Godfather's is continuing its development and expansion of home delivery, which represents nearly 40 percent of sales, as well as the rollout of a new Thin pizza.

## 69

**Chain: Ogden Allied Services**
**Headquarters: New York**
**Annual sales: $241 million**
**Sales per contract: $1.6 million**
**Number of contracts: 147**

Enamored of the rising attendance curve and tremendous cash flow associated with outdoor amphitheaters, the Leisure Services branch of Ogden Allied Services doubled the number of open-air arenas it serves from five to 10 in recent months.

Mitchell Savas, vice president of Leisure Services, which operates stadium and arena concessions nationwide, says amphitheaters can generate up to $3 million in food and beverage sales within a 90-day period.

Though the compressed outdoor season, driven primarily by weather considerations, puts concessionnaires under intense pressure, Savas says it also puts money in their hands faster so that they can fund more expansion with cash flow or generate more interest income during the course of a year. He adds that the amphitheater crowd buys upscale items, including wine and cheese, fruit juices, and premium ice cream novelities, in addition to the hot dogs and soft drinks that sports fans seem to relish most.

## 70

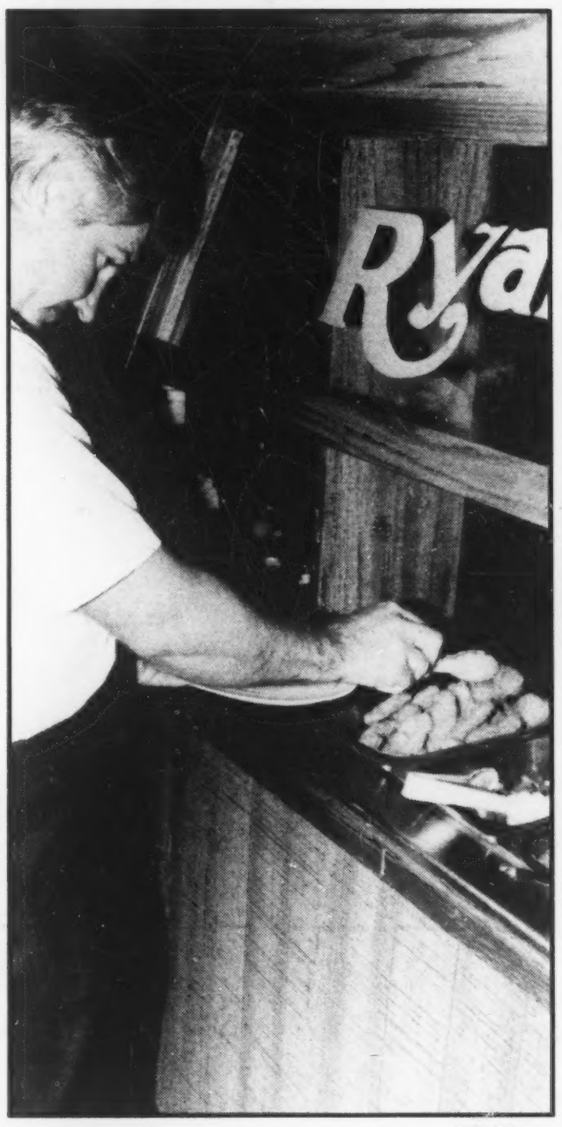
**Chain: ShowBiz/Chuck E. Cheese**
**Headquarters: Irving, Texas**
**Annual sales: $240 million**
**Sales per unit: $905,660**
**Number of units: 265**

ShowBiz/Chuck E. Cheese is testing breakfast in a Dallas unit and continuing the remodeling program it began last year. The chain's new breakfast menu includes pancakes, french toast sticks, cinnamon rolls, hash browns, and a biscuit sandwich with eggs, cheese, and a choice of sausage or bacon. Prices range from $1.95 to about $3.

ShowBiz began remodeling units last year, hoping to shift its clientele from teen-agers to families with young children. Remodeled stores feature a separate play area for children, increased lighting, and fewer video games. The self-service format has also been modified, with orders now taken to tables by servers.

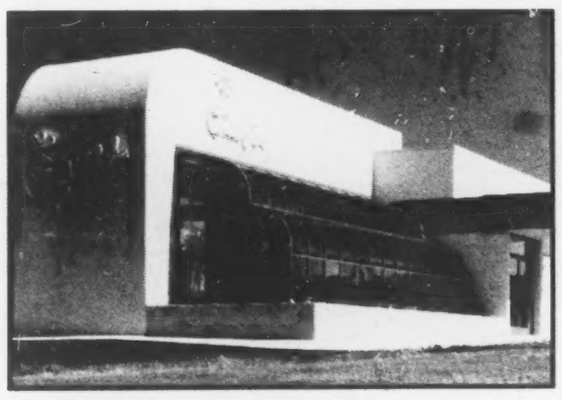
ShowBiz is also testing a sandwich program, begun late last year, in about 30 units. So far it has met with mixed reviews, the chain says.

# FOCUS | TOP 100



NRN Photo

**Customer samples a Ryan's Mega Bar buffet, to which the chain has added Italian and Mexican items in an effort to attract more customers.**



**A Chick-fil-A freestanding unit.**

*The chicken chain expects to open about 10 new freestanding restaurants in Atlanta and, possibly, Birmingham, Ala., by the end of the year. It already has five freestanding units in the Atlanta market.*

## 71

**Chain: Ryan's**
**Headquarters: Greer, S.C.**
**Annual sales: $240 million**
**Sales per unit: $2.3 million**
**Number of units: 121**
**Average per-person check: $5.10**

Following a period of fast expansion, Ryan's is slowing growth from 35 percent to 20 percent annually after profits were eroded by high construction and labor costs and sluggish sales.

The chain has added Italian and Mexican items to its Mega Bar buffet in an attempt to attract more customers. A breakfast bar is in test in 10 units. The Mega Bars already contained hot meats and vegetables; salads; fresh fruits with toppings, desserts, and cheese; and hot yeast rolls made on site.

Currently concentrated in the Southeast, Ryan's is seeking new locations in the Midwest and Southwest.

## 72

**Chain: Piccadilly Cafeterias**
**Headquarters: Baton Rouge, La.**
**Annual sales: $235 million**
**Sales per unit: $2 million**
**Number of units: 124**
**Average per-person check: $4.35**

In its first move outside of traditional Sunbelt locations, Piccadilly Cafeterias is expanding into California with two units already opened in the northern part of the state and one additional unit planned there this year.

The 124-unit chain is also evaluating a six-month, five-unit test of a breakfast program that resulted in incremental sales gains of about 8 percent. In addition, Piccadilly is returning to a double serving line strategy that is boosting sales volumes and lowering labor costs.

## 73

**Chain: Quincy's**
**Headquarters: Spartanburg, S.C.**
**Annual sales: $235 million**
**Sales per unit: $1.1 million**
**Number of units: 215**

Quincy's family steak house has been wooing new customers with its ever-expanding Country Sideboard food bars and new grilled chicken breast entrées.

While steaks remain an important part of the menu mix, the four food bars—cold salads, hot meats and vegetables, soups, and desserts—have been growing in popularity, according to Karen Randall, director of public relations. Soft-serve sundaes with seven toppings are the newest addition to the dessert bar, which also offers such home-style selections as cobblers, cakes, and puddings.

Rather than expanding in numbers of units, Quincy's has been concentrating on increasing per-unit sales by broadening its customer base.

## 74

**Chain: F.W. Woolworth**
**Headquarters: New York**
**Annual sales: $234 million**
**Sales per unit: $250,000**
**Number of units: 940 (including 19 in-store Burger Kings)**
**Average per-person check: $3.25**

F.W. Woolworth Co. has postponed expansion of its 19-unit Burger King experiment to focus on upgrading the most successful in-store coffee-shop and snack bar operations during fiscal 1988.

But beginning next January, the general merchandise chain—with six Burger King franchises each in New York and Washington-Baltimore, three each in Texas and California, and one in Boston—will resume its restaurant replacement effort again.

The Burger King concept will be targeted where Woolworth's in-store units are showing insufficient volume and profit. Woolworth has had the most success with the burger shops in the Northeast.

## 75

**Chain: Village Inn**
**Headquarters: Denver**
**Annual sales: $232 million**
**Sales per unit: $918,000**
**Number of units: 272**

A retrenched Village Inn family restaurant chain is "refocusing on core strengths," such as breakfast, and working on "getting sales up to respectable levels, by industry standards," according to Bob Benson, president of parent company Vicorp Restaurants.

Vicorp has elected to halt expansion of Village Inn for a year in the aftermath of the financial drubbing the company sustained from its acquisition and conversion of 175 defunct Sambo's restaurants. The momentum of those conversions, to Village Inn's higher-volume sister concept, Bakers Square, is continuing with the conversion of about 10 Village Inn units in Florida.

A new Village Inn product development team is currently working on new breakfast items. "Breakfast has become a strategic linchpin," Benson says, adding that Village Inn's "clear, quality-service orientation" gives the chain an opportunity to differentiate itself from Big Boy and other chains that are apparently moving toward self-service. However, Benson says the rising cost of labor, coinciding with the diminishing supply and quality of restaurant manpower, are among his foremost concerns.

## 76

**Chain: Marie Callender's**
**Headquarters: Orange, Calif.**
**Annual sales: $230.5**
**Sales per unit: $1.6 million**
**Number of units: 151**

Stung by parent company Ramada Inc.'s "disappointment" with its earnings contributions, the Marie Callender's pie-specialty family restaurant chain is fighting off a sales slump by pushing a less-than-$4.50 "lighter side" menu array of chicken and tuna sandwiches, grilled lemon chicken, ham Cobb salad, and a fruit-and-cheese platter.

Company insiders blame the increased number and quality of competing restaurants for soft sales at the chain. Despite those pressures, Marie Callender's has suspended new image-oriented television advertising, which was judged cost ineffective. An alternative marketing thrust will focus on varied, in-store promotions geared to specific local-market needs.

Compounding the chain's worries are proposed across-the-board menu price increases of 5 percent to 10 percent, which management believes may be necessary to counteract the recent 27-percent hike in the California minimum wage—the chain's principal trading area. In Hawaii the chain has launched a three-unit test of a bakery-goods-only "satellite" store prototype for mall locations.

## 77

**Chain: Carvel**
**Headquarters: Yonkers, N.Y.**
**Annual sales: $228.7 million**
**Sales per unit: $255,000**
**Number of units: 897**

Carvel Corp. has launched a national print-advertising campaign aimed at boosting summer sales.

The campaign, the first of its kind for Carvel, uses full-color, two-sided 8.5 inches by 11 inches newspaper inserts.

Rather than highlighting a single item, the ads tout the chain's entire lineup of ice cream cakes, cones, sundaes and sundae dinners, which is unchanged for 1988.

## 78

**Chain: Chick-fil-A**
**Headquarters: Atlanta**
**Annual sales: $226 million**
**Sales per unit: $600,000**
**Number of units: 393**
**Average per-person check: $2.91**

Mostly a mall-oriented chicken chain, Chick-fil-A is in the process of building new freestanding units as part of its nationwide expansion drive. However, mall expansion is still the chain's dominant growth vehicle.

The chicken chain expects to open about 10 new freestanding restaurants in Atlanta and, possibly, Birmingham, Ala., by the end of the year. It already has five freestanding units in the Atlanta market.

Chick-fil-A is also updating store interiors as well as product packaging and crew uniforms. The changes include softer lighting, new product photography, and new khaki and maroon uniforms to match the new interior design.

## 79

**Chain: Steak and Ale**
**Headquarters: Dallas**
**Annual sales: $225 million**
**Sales per unit: $1.4 million**
**Number of units: 160**
**Average per-person check: $11.62**

Jerry Levin, the new chairman of S&A Restaurant Corp., has his hands full. Steak and Ale, along with Bennigan's, the company's primary chain, is coming out of an 8-percent sales decline in fiscal 1988 attributable to declining beef consumption. But Steak and Ale has abandoned its forays into trendy menu items and returned to its roots—meat and potatoes.

"Our focus had gotten away from steak to a more varied menu in an attempt to lure a wider customer base," says Lane Cardwell, senior vice president of strategic planning. "But instead we just annoyed our loyal long-time customers."

All is not lost, however. The chain's new advertising campaign motto—"For Over 20 Years, The Legend In Steak"—has boosted average per-unit sales by 15 percent since its inception last October, according to Cardwell. Steak and Ale, which has closed a "mix of poorly performing" units over the last year, plans to sell 35 to 40 more units this year to whittle the chain to a manageable 135 to 140 stores. No new units are planned for 1988.

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## 80

**Chain: Seiler Corp.**
**Headquarters: Waltham, Mass.**
**Annual sales: $225 million**
**Sales per unit (contract): $424,528**
**Number of units: 530**

Contributing to the ongoing concentration within contract feeding, Seiler Corp. acquired three specialists in fiscal 1988.

The move added accounts in all four of Seiler's operating regions, including the Midwest, Northeast, Southeast, and Mid-Atlantic, and it could help the company increase its sales by a full 33 percent for the fiscal year ending Aug. 31.

Acquired by Seiler, a subsidiary of France's Sodexho, were Dietary Consultants Inc. of Hornel, N.Y., a 30-client feeder with experience in nursing and long-term health-care facilities and retirement communities; In Plant Catering Inc., a 67-account business-and-industry food-service contractor based in Woburn, Mass.; and Western Food Enterprises of Grand Rapids, Mich., a 7-year-old firm with 16 education and six business and industry contracts. Seiler Corp. president William Zammer named former In Plant owner and president Harold Trager a senior vice president and manager of Seiler's corporate dining division.

## 81

**Chain: Waffle House**
**Headquarters: Norcross, Ga.**
**Annual sales: $210 million**
**Sales per unit: $350,000**
**Number of units: 600**
**Average per-person check: $2.90**

Considered one of the most conservative and most profitable food-service concepts in the Sunbelt, 33-year-old Waffle House will continue expanding from its 600-unit base during the rest of 1988.

A hybrid of the coffee shop and family restaurant, Waffle House will continue constructing its 1,700-square-foot, brightly lighted, yellow and black units in high traffic sites along commuting thoroughfares and interstate highways.

The 24-hour restaurants gross an average of $350,000 annually, with per-person checks averaging $2.90. With units now operating from Florida to Michigan, and from North Carolina to Arizona, the Norcross, Ga.-based parent company and its franchisees are investigating sites in the mid-Atlantic, North Central, and West Coast regions.

## 82

**Chain: Grandy's**
**Headquarters: Lewisville, Texas**
**Annual sales: $200 million**
**Sales per unit: $926,000**
**Number of units: 227**
**Average per-person check: $4.55**

Grandy's, trying to strengthen its image as a fast-food chicken rather than homestyle dinner chain, is rolling out its first sandwich program and redesigning advertising around a campaign portraying menu items as being superior to those of competitors. The move is also designed to bolster stagnant average unit sales in Oil Patch regions.

The chain's first sandwich program ever is being kicked off with chicken breast filet and country fried steak sandwiches, designed to help compete in the fast-food lunch area. The new advertising campaign, based on a consumer survey, boasts that Grandy's has the best food of any leading chicken chain by more than 3 to 1 and the best food of the leading burger chains by more than 5 to 1.

Meanwhile, Grandy's, owned by Anwar Soliman's American Restaurant Group, plans to open up to 240 restaurants in the Pacific Basin over a 10-year period under an agreement inked with a Malaysian financial services conglomerate. The openings would nearly double the size of the chain.

## 83

**Chain: Quality Inns**
**Headquarters: Silver Spring, Md.**
**Annual sales: $194 million**
**Sales per unit: $221,209**
**Number of units: 877**

Quality International is breaking ground in its quest to enter the upper-priced lodging market with the establishment of Clarion Hotels and Resorts, a joint venture with AIRCOA, the Denver, Colo.-based management company. Since the Clarion agreement with AIRCOA was struck, 10 additional Clarion Hotels and Resorts have entered the system for a total of 42 either open or under development.

Like most of its competitors, Quality International broke ground in the budget-hotel market, with the launch of franchised McSleep Inns, a concept featuring room rates in the $20-to-$29 per-night range.

Quality International's 1988 expansion plans call for the addition of 200 lodging properties throughout the United States and 60 in Europe and the Pacific.

## 84

**Chain: Sportservice Corp.**
**Headquarters: Buffalo, N.Y.**
**Annual sales: $193 million**
**Sales per unit: $1.3 million**
**Number of units: 153**

Striving to sustain double-digit growth in the face of intense competition and a consolidating market, stadium, arena, and racetrack feeder Sportservice Corp. is shopping for expertise in other segments, including business and industry, health care, and education.

"Our goal is to do $200 million [in sales] this year and $500 million by 1990," Sportservice president Michael F. Thompson says, acknowledging that such ambitious plans could be realized only by acquiring one or more companies.

"Sustaining" margins has become a critical issue for his company, Thompson says, because growing resistance to price hikes by sports facility managers and patrons alike has prevented Sportservice from using such a strategy to counter recent increases in operating costs of 5 percent to 6 percent of sales. With much of the added cost related to maintaining a labor pool, Sportservice has begun adjusting shifts to better meet the needs of crew members and paying bonuses to employees who work a set number of events, he adds.

## 85

**Chain: Daka Inc.**
**Headquarters: Wakefield, Mass.**
**Annual sales: $191 million**
**Sales per unit (contract): $441,186**
**Number of units (contracts): 430**

A shopping spree that netted three contract-feeding companies within six months and a reorganization of upper management have squeezed margins but leave contract feeder Daka Inc. "on the verge of a very good year," president Terry Vince says. The company is poised to venture outside the contract feeding business through its pending merger with Fuddruckers, the San Antonio-based hamburger chain.

Daka's acquisitions of Baltimore-based Chesapeake Management Services Inc., T.J. McDermott of New Rochelle, N.Y., and Creative Food Service Management Inc. of Milwaukee helped increase sales by 23 percent, to $182 million, for the year ended June 30.

Though Daka added to its cost of acquisition by tripling the number of regional vice presidents to six, adding six district managers, creating new posts such as training manager, and developing a training center, Vince says the company "can now add quite a few accounts without adding [further] to overhead."

## 86

**Chain: Bakers Square**
**Headquarters: Chicago**
**Annual sales: $190 million**
**Sales per unit: $1.3 million**
**Number of units: 154**

Bakers Square, Denver-based Vicorp's fresh-baking family restaurant chain, has concluded its problematic conversion of 175 Sambo's units in California and Florida. Though Vicorp president Bob Benson says the protracted absorption of Sambo's "almost killed" Vicorp financially, the company now has 82 Bakers Square units in the potentially lucrative California market, where none existed only three years ago.

Bakers Square, which grew out of Pillsbury's former Poppin' Fresh chain in the Midwest, now has the breathing room to focus on building consumer awareness in the critical California market. That will be done through "step-by-step guerrilla marketing," Benson says. Despite industrywide hyperbole about the take-out boom, Benson says his chain's sales of fresh-baked pies and other bakery items may have reached a temporary plateau, albeit "at a very healthy level."

Although stabilization of Bakers Square's recent growing pains is an obvious priority for Vicorp, the chain continues to grow through conversions of a handful of units in its sister Village Inn chain. In addition, Bakers Square plans to add eight new units in the Midwest in the coming year. The slowdown in growth expectations at several chains, Shoney's in particular, indicates that "a healthy degree of sanity is returning" to a family restaurant segment that is overbuilt in many regions, Benson says.

## 87

**Chain: Stuart Anderson's Black Angus**
**Headquarters: Los Altos, Calif.**
**Annual sales: $190 million**
**Sales per unit: $2.2 million**
**Number of units: 85**
**Average per-person check: $13.50**

If beef is indeed making a comeback, Stuart Anderson's Black Angus and Cattle Co. restaurants could be in for quite a year, even if systemwide sales are slashed by a decrease in the num-

**The dining room at a typical Quality Inns hotel.**

*Quality Inns' 1988 expansion plans call for the addition of 200 lodging properties throughout the United States and 60 in Europe and the Pacific.*

**Julia A. Stewart**

*'We're pushing grilled giant prawns, deep-fried shrimp, fresh rainbow trout, and lobster tail as well as beef,' says Julia Stewart of Stuart Anderson's.*

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ber of units. The 85-unit, 11-state chain, which specializes in aged roast prime rib of beef and U.S.D.A. choice steaks, reports that overall beef consumption in its restaurants is up 5 percent from year-ago levels.

However, to leverage itself against another possible downturn in beef consumption, Stuart Anderson's is emphasizing surf as well as turf—which has helped increase the average per-person check from $12.95 in fiscal 1987 to $13.50 this year. "We're pushing grilled giant prawns, deep-fried shrimp, fresh rainbow trout, and lobster tail as well as beef," says Julia Stewart, Stuart Anderson's vice president of marketing.

In the last year, Stuart Anderson has scaled back the chain from 118 to 85 by selling off 33 units to Marriott, which has since sold them to Ground Round. Ground Round plans to convert the Black Angus units to its concept, according to Stewart.

## 88

**Chain: Krystal**
**Headquarters: Chattanooga, Tenn.**
**Annual sales: $186 million**
**Sales per unit: $790,000**
**Number of units: 235**
**Average per-person check: $2.65**

Krystal, the budget burger chain, is testing in five locations a 59-cent breakfast sandwich that will be rolled out later this year if sales continue to build. The product, called "The Sunriser," consists of cheese, sausage, and egg and is served on a hamburger bun.

The chain has halted the expansion of its Krystal Kwik drive-thru-only kiosk concept because of a dearth of managers, a company spokesman said. There are currently 10 Krystal Kwik units.

## 89

**Chain: Country Kitchen**
**Headquarters: Minneapolis**
**Annual sales: $184 million**
**Sales per unit: $648,000**
**Number of units: 260**
**Average per-person check: $3.70**

Confident that its "country" image and budget pricing represent potential marketing advantages over such chains as Denny's and Big Boy, officials of the Country Kitchen chain say they are undaunted by uncertainties about the national economy and the family restaurant segment. In additional, Country Kitchen sees growth potential in its new sister lodging chain, the fledgling Country Hospitality Inns. Currently three such budget-rate hotels exist, only one of which has a Country Kitchen restaurant. However, half of the projected 30 new Inns on the drawing boards would have Country Kitchen restaurants.

The restaurant chain got a recent boost from the rollout of "stuffers," a less-than-$4 line of french bread sandwiches containing pot roast, chicken pot pie, or barbecue beef fillings. They were succeeded by "cool stuffers," a similarly priced summer season line of cantaloupe halves stuffed with either fruit salad, seafood and pasta salad, or chicken salad. The items have generated between 2 percent and 6 percent of sales, according to marketing vice president Alan Post. "In a menu that's as varied as ours, that's significant," Post says.

Along with "skillet" dinners and breakfasts, the $4-range items have helped boost check averages, Post adds. That trend may continue with the fall rollout of a $5 pot roast item with carrots, potatoes, and onions, which "fits the Country Kitchen image," Post remarks.

## 90

**Chain: Circle K**
**Headquarters: Phoenix, Ariz.**
**Annual sales: $182.2 million**
**Sales per unit: $561,442**
**Number of units: 4,077**
**Average per-person check: $2.20**

The Circle K Corp. should have no trouble reaching its goal of 5,000 stores by 1990 if the recent pace of acquisition is maintained.

In April, before the end of fiscal 1988, Circle K acquired 500 stores from Southland Corp. Its deal to buy The Charter Co. during fiscal 1989 adds 532 more. Charter units wear various operating names, including Mr. B's, Super Test, and Old Colony, from Florida through New England.

Sales at all units for the 1988 year that ended April 30 were $2.6 billion. Only 50 of the stores, which average $2.20 per transaction, are franchised. More franchised units are about to be added as The Riese Organization, which operates more than 200 franchised restaurants in New York, begins opening Circle K stores in Manhattan and other boroughs.

## 91

**Chain: Wyatt Cafeterias**
**Headquarters: Dallas**
**Annual sales: $181 million**
**Sales per unit: $1.5 million**
**Number of units: 122**
**Average per-person check: $4.50**

After dropping its test of a breakfast program, Wyatt Cafeterias is adding take-out counters to the four new units scheduled to open this year following a rise in sales at units where carryout service was tested.

The chain says it is also adding take-out counters to some older units.

Last year Wyatt, with locations in the depressed Oil Patch states, reported its first earnings decline in more than 20 years. However, a slight dip in food costs as a result of declining transportation costs may help margins this year.

## 92

**Chain: Bojangles' Chicken 'N Biscuits**
**Headquarters: Charlotte, N.C.**
**Annual sales: $180 million**
**Sales per unit: $818,000**
**Number of units: 220**
**Average per-person check: $3.20**

Carabo Inc. has signed an agreement to purchase the 220-unit Bojangles' Chicken 'N Biscuits fast-food chain from Horn & Hardart Co. for $16 million in cash and $4 million in a senior subordinated note for the name, 39 company-owned restaurants, and the franchising system. The Greenville, S.C.-based Carabo is the largest Bojangles' franchisee, with 21 restaurants.

Purchased by Horn & Hardart in 1981, Bojangles' grew from 50 units to 350 units, and at one point it challenged Popeyes for the No. 3 spot in the fast- food chicken segment, behind Kentucky Fried Chicken and Church's. But overexpansion coupled with poor site selection and loss of controls hurt the chain, and Horn & Hardart began taking remedial steps. It diversified the menu and closed unprofitable units, reduced overhead, and hung up the For Sale sign.

The sale of Bojangles' leaves Horn & Hardart with its huge direct-mail catalog business, the 90-unit International King's Table, 23 Arby's, 11 Burger Kings, seven Tony Roma's, and two Dine-O-Mat diners and one Automat in New York.

## 93

**Chain: Concession Air**
**Headquarters: Grand Prairie, Texas**
**Annual sales: $180 million**
**Sales per unit: $3.7 million**
**Number of units: 49**

Concession Air is working out of temporary quarters at Newark International Airport and Boston's Logan International Airport while it develops multiunit operations studded with landmark-inspired theme restaurants and bars and franchised units of national and regional fast-food chains.

McDonald's, Sbarro's Italian Eatery, Au Bon Pain, and the Pastrami Factory are four of the 11 chains that have agreed to open units in Concession Air-managed terminals. The Boston Commons Bar & Grill is to be one of the theme concepts at Logan.

Concession Air's Kim Peacock says her company will assume food-and-beverage duties at McArthur Airport in Islip, N.Y., this summer. It is also scheduled to start up concessions in the new terminal at Palm Beach International Airport this fall and in the new terminal at San Jose International Airport next year, she says.

## 94

**Chain: Western Steer Family Steakhouse**
**Headquarters: Claremont, N.C.**
**Annual sales: $179.6 million**
**Sales per unit: $966 thousand**
**Number of units: 192**

After changing management twice in the past year, Western Steer is preoccupied with controlling both quality and higher food costs of its All-American Food Bar and launching a more aggressive franchising program.

The chain added the hot-and-cold buffet, which now contains more than 50 items, in 1986, following the lead of such competitors as Sizzler and Ponderosa. Steaks continue to be big sellers.

Western Steer is likely to add still more items to the food bar, which has increased sales volume.

## 95

**Chain: Fuddruckers**
**Headquarters: San Antonio, Texas**
**Annual sales: $178 million**
**Sales per unit: $1.3 million**
**Number of units: 137**
**Average per-person check: $5.38**

Gourmet burgers do not a chain make anymore, so Fuddruckers has expanded its menu to include breakfast products, such as cinnamon rolls and muffins, three salads, a fajita dinner, and chicken and fish sandwiches.

Fuddruckers also has chicken wings, a fajita salad, a barbecue chicken breast, and 30 flavors of frozen alcoholic beverages in a three-store test in Houston.

The new items not only have helped diversify Fuddruckers but also have boosted the average per-person check from $5.11 in fiscal 1987 to $5.38 this year, according to marketing director Frank Fazio. The 137-unit chain, however, still sells more burgers than anything else.

**A Western Steer sign.**

*Western Steer added the hot-and-cold buffet, which now contains more than 50 items, in 1986, following the lead of such competitors as Sizzler and Ponderosa. Steaks continue to be big sellers.*

**Fuddruckers has added breakfast items, such as cinnamon rolls.**

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## 96

**Chain: Coco's**
**Headquarters: Irvine, Calif.**
**Annual sales: $168 million**
**Sales per unit: $1.1 million**
**Number of units: 153**
**Average per-person check: $4.65**

Using a televised series of $7.95 dinner promotions, Coco's has achieved the elusive family restaurant segment's goal of boosting evening sales to levels surpassing those of breakfast. Moreover, the 2-year-old rotating effort at marketing either prime rib, steak and lobster, steak and shrimp, or shrimp brochettes has "really kicked up the per-person check," according to operations vice president Ken Bell.

Coco's, the leading midscale concept of dinner-house giant Restaurant Enterprises Group Inc., will continue to promote "anything that's under $8," Bell says. "Anything higher is perceived as 'dinner house' [pricing]."
In July brochettes of steak, chicken, and shrimp were rolled out to complement recent "more modern" menu upgrades, including the use of fresh vegetables and hand-breaded onion rings.

The chain is continuing its $75,000-per-store addition of an in-store bakery department, which supplies such menu and take-out items as pies, muffins, cookies, corn bread, cream puffs, quiche, and pot pies. Fifty-five of 80 Cocos in California have thus far been equipped with the bakeries.

## 97

**Chain: A&W Restaurants**
**Headquarters: Dearborn, Mich.**
**Annual sales: $162 million**
**Sales per unit: $300,556**
**Number of units: 539**
**Average per-person check: $2.50**

In an effort to remake a chain that once numbered 3,600 units, A&W is rolling out a new prototype unit and is testing a variety of products, including a prepackaged salad.

The chain, which sells its branded root beer, has developed a new unit that includes about 90 seats and a drive-thru window. A&W expects to open 25 franchised units this year as a result of a franchising program begun in 1985.

"We're down to a core of stores," a company spokesman says. "Our job is to salvage the chain and remake the company."

## 98

**Chain: Ogden Allied Aviation Services**
**Headquarters: New York**
**Annual sales: $160 million**
**Sales per flight kitchen/airport concession: $8.88 million**
**Number of flight kitchens and airport concessions: 18**

The shrinking labor market has changed the way Ogden Allied Aviation Services hunts for food-service workers.

William F. Smith, vice president of food-service operations, says recruitment and screening, once tackled at the corporate and unit levels, are now handled by "regional employment centers." "Help Wanted" ads, he says, are no longer run only in large daily newspapers. "We do it [advertise] in the ethnic papers as well," he explains.

Ogden approaches catering, by far the largest part of its aviation feeding business, by "gearing its services to the individual needs of the customer," Smith says. As an example, he points out, Ogden hired Filipino chefs to work on the Phillipine Airlines accounts the caterer recently took over at three airports.

## 99

**Chain: Po' Folks**
**Headquarters: Nashville, Tenn.**
**Annual sales: $160 million**
**Sales per unit: $1 million**
**Number of units: 155**
**Average per-person check: $4.70**

In the wake of financial chaos following its 400-percent growth surge over five years, Po' Folks Inc. has settled into a period of stabilization, emphasizing staff development and the basic fried-chicken, country-fried steak, and fried-catfish menu on which the chain's reputation was built.

An exception will be unit openings in San Diego and Los Angeles during fiscal 1988 ending Sept. 30. Po Folks will finish its year with 155 stores—down from a high of 170—37 of them company owned.

Following a consolidation, the chain will branch out slowly with no intention to again outstrip its human resources. Hearty Home Style Cooking, the name given to its basic menu, includes the year-old meat loaf introduction.

## 100

**Chain: Houlihan's**
**Headquarters: Kansas City, Mo.**
**Annual sales: $153 million**
**Sales per unit: $2.8 million**
**Number of units: 55**
**Average per-person check: $9.70**

Three years ago Fred Hipp, president of Houlihan's casual dining division, predicted that the segment must "adapt or lose."

Today the 55-unit chain is still adapting to the changing needs of a maturing adult marketplace. The "lite menu," implemented in June 1984, is now a critical part of Houlihan's menu design. Salads, stir-fry items, and shrimp have become as important to this chain and segment as are burgers, fries, and ice cream.

The evolving menu is driving Houlihan's annual sales up $7 million, to $153 million, in fiscal 1987. Per-person checks have jumped 20 cents, to $9.70, and annual sales per-unit have been boosted to $2.78 million, an $80,000 increase over last year's figure.

**A&W's signature item—root beer.**

*A&W, which sells its branded root beer, has developed a new unit that includes about 90 seats and a drive-thru window.*

*Certain chains whose systemwide sales narrowly missed the Top 100 cut-off of $153 million could indeed earn a berth on the list if fortuitous events should shift sales upward or projected results for some Top 100 chains prove to be overly optimistic.*

*For that reason, presented here are thumbnail descriptions of the leading also-rans and their strategies for breaking into the Top 100.*

**Chain: Tastee Freez International**
**Headquarters: Utica, Mich.**
**Annual sales: $152.3 million**
**Sales per unit: $296,000**
**Number of units: 515**

Tastee Freez International will fight flat sales this year by expanding its gourmet ice-cream line and rolling out new products: ice cream pies and cakes.

The chain will also open at least two more dual-concept units with Mister Donut, the subsidiary of International Multifoods, bringing total twinned units to five.

Tastee Freez plans to introduce three new gourmet ice cream flavors this year: grand marnier, amaretto, and apricot brandy.

* * *

**Chain: Girves Brown Derby**
**Headquarters: Cleveland**
**Annual sales: $148.5 million**
**Sales per unit: $2.7 million**
**Number of units: 54**
**Per-person check average: $7**

For Parris Girves' Brown Derby steakhouse chain, it's business as usual. The president and sole spokesman for the private company has maintained systemwide sales, revenue, number of units, sales per unit and per-person check averages for the last few years.

And Girves hasn't ventured far from Ohio, where the majority of Brown Derby's 54 units are located and where another five are scheduled to open this year.

After a failed experiment with Brown Derby Encore Grill, a concept featuring seafood, chicken, and tapas, Girves is concentrating solely on his roots—meat and potatoes. The grill concept, however, is not dead: Girves plans to open another in northeast Ohio this year.

* * *

**Chain: Sbarro**
**Headquarters: Commack, N.Y.**
**Annual sales: $148 million**
**Sales per unit: $465,000**
**Number of units: 318**
**Average per-person check: $3.85**

Sbarro, the operator and franchisor of shopping mall-based Italian restaurants, will clone its fast-food pizza, calzone, and salad concept in 65 more locations during fiscal 1988 ending Dec. 31.

A franchise deal with Marriott Corp. will see the opening of 20 Sbarro restaurants similar to the unit launched in March on the Delaware Turnpike. The company is also investigating sites for its first free-standing operation, and is exploring airports and downtown locations for further expansion.

Sbarro's narrow menu focuses on pizza, pasta, calzones, sandwiches and salads. Signature items include the $2.79 Sausage Roll and $1.60 Cheesecake. The restaurants push Italian authenticity, homemade freshness, and large portions.

* * *

**Chain: Shakey's Pizza**
**Headquarters: Irving, Texas**
**Annual sales: $146.7 million**
**Sales per unit: $620,904**
**Number of units: 232**

For a fourth straight year, Shakey's Pizza Restaurants is expected to drop units but maintain sales as older, less efficient restaurants give way to new, high-volume stores.

Since 1985, number of units has dropped 16 percent, to 232, but systemwide sales have increased 9 percent, to $146.7 million.

Under its back-to-basics strategy, Shakey's is retraining franchisees and reformulating basic products such as its pizza sauce. The chain is also placing new importance on light and healthy fare, stocking its salad bar with fruit, pastas and coleslaw, and trading fried and starchy buffet foods, such as potatoes, for steamed vegetables and the like.

* * *

**Chain: Restaura**
**Headquarters: Phoenix, Ariz.**
**Annual sales: $144.9 million**
**Sales per contract: $664,679**
**Number of contracts: 218**

Because of the steady decline in the domestic manufacturing labor force, Restaura, Greyhound Corp.'s contract feeding company, has tried in recent years to distance itself from "Smokestack America" by chasing so-called "white collar" contracts.

Now, in a twist related to changing tax laws, white collar companies such as high-tech firms and financial institutions are approaching Restaura first.

Greyhound Food Management Inc. president Joseph K. Fassler says the recent loss of tax benefits related to subsidized food service at work has prompted a growing number of employers to dump contractors paid on a cost-plus basis.

Companies such as Restaura, which operates about 80 percent of its accounts on a profit-and-loss basis, are being called on more frequently to replace subsidized contractors or to initiate food services, he said.

The backlash against subsidies has helped Restaura gain 32 accounts in 18 months, Fassler said, adding, "You don't [ordinarily] do that with nine sales reps."

# FOCUS | TOP 100

# GROWTH SLOWS AT BURGER BIGGIES

The slowdown in sales growth evident for the Top 100 chains as a whole is sharply evident in the food-service industry's largest segment, the quick-service hamburger market. Top 100 burger specialists are collectively taking in only 8.8 percent more in sales this year than they did in 1987, when sales rose at a 12.3-percent gait.

Even McDonald's is slowing down, with systemwide sales projected to grow by 9.9 percent this year, compared with the 15.2-percent jump registered in 1987. The giant's unit sales are expected to inch upward by only 4.5 percent, with menu price hikes accounting for a big chunk of the increase.

Nevertheless, McDonald's is extending its dominance of the hamburger market. Top 100 chains within the segment are expected to raise their aggregate systemwide sales by $2.5 billion this year. McDonald's is projected to generate $1.4 billion of that tally.

In addition, McDonald's three closest competitors—Burger King, Hardee's, and Wendy's—are all losing market share to the segment behemoth.

## HAMBURGER CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Dec. | $15,750.0 | $14,330.0 | $12,432.0 |
| 2 | 2 | Burger King | May | 5,300.0 | 5,000.0 | 4,500.0 |
| 3 | 3 | Hardee's | Dec. | 3,300.0 | 3,063.6 | 2,676.4 |
| 4 | 4 | Wendy's | Jan. | 3,000.0 | 2,868.0 | 2,747.2 |
| 5 | 5 | Jack in the Box | Sept. | 780.0 | 655.0 | 588.0 |
| 6 | 6 | Roy Rogers | Dec. | 575.0 | 525.0 | 490.0 |
| 7 | 8 | Carl's Jr. | Jan. | 399.3 | 343.6 | 335.7 |
| 8 | 7 | Rax | July | 390.0 | 358.3 | 328.9 |
| 9 | 9 | Sonic Drive-In | Aug. | 350.0 | 301.5 | 290.6 |
| 10 | 11 | Whataburger | Sept. | 310.0 | 260.0 | 230.0 |
| 11 | 10 | White Castle | Dec. | 300.0 | 282.6 | 268.5 |
| 12 | 12 | Krystal | Dec. | 186.0 | 184.0 | 174.0 |
| 13 | 14 | Fuddruckers | Dec. | 178.0 | 142.5 | 110.5 |
| 14 | 13 | A&W | Dec. | 162.0 | 154.0 | 156.0 |
| | | Total: | | $30,980.3 | $28,468.1 | $25,327.8 |

Source: NRN Research

## HAMBURGER CHAINS RANKED BY MARKET SHARE*

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Market Share 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Dec. | 51.11% | 50.61% | 49.39% |
| 2 | 2 | Burger King | May | 17.20 | 17.66 | 16.22 |
| 3 | 3 | Hardee's | Dec. | 10.71 | 10.82 | 9.94 |
| 4 | 4 | Wendy's | Jan. | 9.73 | 10.13 | 9.31 |
| 5 | 5 | Jack in the Box | Sept. | 2.53 | 2.31 | 2.13 |
| 6 | 6 | Roy Rogers | Dec. | 1.87 | 1.85 | 1.70 |
| 7 | 8 | Carl's Jr. | Jan. | 1.30 | 1.21 | 1.11 |
| 8 | 7 | Rax | July | 1.27 | 1.27 | 1.31 |
| 9 | 9 | Sonic Drive-In | Aug. | 1.14 | 1.06 | 0.98 |
| 10 | 11 | Whataburger | Sept. | 1.01 | 0.92 | 0.84 |
| 11 | 10 | White Castle | Dec. | 0.97 | 1.00 | 0.92 |
| 12 | 12 | Krystal | Dec. | 0.60 | 0.65 | 0.60 |
| 13 | 14 | Fuddruckers | Dec. | 0.58 | 0.50 | 0.46 |
| 14 | 13 | A&W | Dec. | 0.53 | 0.54 | 0.50 |

*Segment sales total includes only the intake of chains ranking within the Top 100, and market share figures reflect only Top 100 chains' percentage of that tally.

Source: NRN Research

## HAMBURGER CHAINS RANKED BY SALES PER UNIT

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Dec. | $1,570.0 | $1,502.0 | $1,369.0 |
| 2 | 2 | Fuddruckers | Dec. | 1,300.0 | 1,250.0 | 1,050.0 |
| 3 | 3 | White Castle | Dec. | 1,204.8 | 1,234.1 | 1,220.6 |
| 4 | 4 | Burger King | May | 1,025.0 | 1,017.0 | 1,009.0 |
| 5 | 9 | Carl's Jr. | Jan. | 939.8 | 772.0 | 739.1 |
| 6 | 5 | Roy Rogers | Dec. | 935.0 | 900.0 | 875.0 |
| 7 | 6 | Hardee's | Dec. | 930.0 | 877.0 | 837.0 |
| 8 | 8 | Jack in the Box | Sept. | 900.0 | 797.4 | 723.7 |
| 9 | 7 | Whataburger | Sept. | 840.0 | 800.0 | 760.0 |
| 10 | 10 | Krystal | Dec. | 790.0 | 750.0 | 733.0 |
| 11 | 11 | Wendy's | Jan. | 780.0 | 741.0 | 754.0 |
| 12 | 12 | Rax | July | 715.0 | 702.0 | 689.0 |
| 13 | 13 | Sonic Drive-In | Aug. | 355.0 | 318.0 | 310.0 |
| 14 | 14 | A&W | Dec. | 300.6 | 293.9 | 285.2 |
| | | Average: | | $ 893.9 | $ 853.9 | $ 811.0 |

Source: NRN Research

## HAMBURGER CHAINS RANKED BY NUMBER OF UNITS

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Number of Units 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Dec. | 10,420 | 9,911 | 9,410 |
| 2 | 2 | Burger King | May | 5,600 | 5,179 | 4,743 |
| 3 | 3 | Wendy's | Jan. | 3,950 | 3,816 | 3,727 |
| 4 | 4 | Hardee's | Dec. | 3,000 | 2,912 | 2,711 |
| 5 | 5 | Sonic Drive-In | Aug. | 978 | 948 | 948 |
| 6 | 6 | Jack in the Box | Sept. | 970 | 897 | 849 |
| 7 | 7 | Roy Rogers | Dec. | 610 | 556 | 552 |
| 8 | 9 | Rax | July | 555 | 520 | 498 |
| 9 | 8 | A&W | Dec. | 539 | 524 | 547 |
| 10 | 10 | Whataburger | Sept. | 470 | 445 | 410 |
| 11 | 11 | Carl's Jr. | Jan. | 444 | 436 | 456 |
| 12 | 13 | White Castle | Dec. | 249 | 229 | 220 |
| 13 | 12 | Krystal | Dec. | 235 | 243 | 236 |
| 14 | 14 | Fuddruckers | Dec. | 137 | 114 | 105 |
| | | Total: | | 28,157 | 26,730 | 25,412 |

Source: NRN Research

# FOCUS | TOP 100

# SIZZLER TAKES REINS IN STEAK GROUP

The current year is proving to be a difficult one for Top 100 chains in the steak-house segment, with growth in aggregate systemwide sales slowing in 1988 to 11.4 percent from the 14.7-percent pace clocked in 1987.

What's more, a significant portion of that growth appears to be coming from the chains' opening of 174 more units—a year-to-year increase of 5.1 percent—and sales gains by the segment's new leader, Sizzler. Buoyed by a 11.3-percent year-to-year rise in average sales per unit, the Los Angeles-based, 587-unit chain bumped Ponderosa out of the top slot in the systemwide-sales ranking. Ponderosa's per-store intake slipped by 3.4 percent.

Average sales per unit for the whole group of Top 100 steak-house chains are leveling off, with only a 2.5-percent increase anticipated.

## STEAK-HOUSE CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 2 | Sizzler | April | $ 751.5 | $ 632.5 | $ 505.0 |
| 2 | 1 | Ponderosa | Feb. | 699.7 | 650.6 | 597.7 |
| 3 | 3 | Bonanza | Dec. | 596.0 | 529.5 | 458.4 |
| 4 | 4 | Western Sizzlin' | Oct. | 487.5 | 466.2 | 442.6 |
| 5 | 5 | Golden Corral | Dec. | 470.7 | 428.8 | 362.0 |
| 6 | 7 | Ryan's | Dec. | 240.0 | 185.0 | 125.0 |
| 7 | 6 | Quincy's | Dec. | 235.0 | 221.5 | 207.4 |
| 8 | 8 | Western Steer | Feb. | 179.6 | 170.6 | 166.2 |
| | | Total: | | $3,660.0 | $3,284.7 | $2,864.3 |

Source: NRN Research

## STEAK-HOUSE CHAINS RANKED BY MARKET SHARE*

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Market Share 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 2 | Sizzler | April | 20.53% | 19.26% | 17.63% |
| 2 | 1 | Ponderosa | Feb. | 19.12 | 19.81 | 20.87 |
| 3 | 3 | Bonanza | Dec. | 16.28 | 16.12 | 16.00 |
| 4 | 4 | Western Sizzlin' | Oct. | 13.32 | 14.19 | 15.45 |
| 5 | 5 | Golden Corral | Dec. | 12.86 | 13.05 | 12.64 |
| 6 | 7 | Ryan's | Dec. | 6.56 | 5.63 | 4.36 |
| 7 | 6 | Quincy's | Dec. | 6.42 | 6.74 | 7.24 |
| 8 | 8 | Western Steer | Feb. | 4.91 | 5.19 | 5.80 |

*Segment sales total includes only the intake of chains ranking within the Top 100, and market share figures reflect only Top 100 chains' percentage of that tally.

Source: NRN Research

## STEAK-HOUSE CHAINS RANKED BY SALES PER UNIT

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Ryan's Family Steak | Dec. | $2,250.0 | $2,344.0 | $2,159.0 |
| 2 | 2 | Sizzler Restaurants | April | 1,460.0 | 1,312.0 | 1,237.0 |
| 3 | 3 | Quincy's Family Steak House | Dec. | 1,093.0 | 1,030.0 | 952.0 |
| 4 | 4 | Ponderosa Steakhouses | Feb. | 1,025.0 | 1,061.0 | 949.0 |
| 5 | 5 | Western Steer | Feb. | 966.0 | 921.0 | 899.0 |
| 6 | 6 | Bonanza | Dec. | 960.0 | 918.0 | 840.0 |
| 7 | 7 | Golden Corral | Dec. | 922.6 | 861.6 | 786.7 |
| 8 | 8 | Western Sizzlin' | Oct. | 792.7 | 790.2 | 779.2 |
| | | Average: | | $1,183.7 | $1,154.7 | $1,075.2 |

Source: NRN Research

## STEAK-HOUSE CHAINS RANKED BY NUMBER OF UNITS

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Number of Units 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Ponderosa | Feb. | 690 | 653 | 615 |
| 2 | 2 | Bonanza | Dec. | 650 | 600 | 563 |
| 3 | 3 | Western Sizzlin' | Oct. | 615 | 590 | 568 |
| 4 | 4 | Sizzler | April | 587 | 548 | 488 |
| 5 | 5 | Golden Corral | Dec. | 505 | 516 | 480 |
| 6 | 6 | Quincy's | Dec. | 215 | 215 | 218 |
| 7 | 7 | Western Steer | Feb. | 192 | 184 | 186 |
| 8 | 8 | Ryan's | Dec. | 121 | 95 | 70 |
| | | Total: | | 3,575 | 3,401 | 3,188 |

Source: NRN Research

# FOCUS | TOP 100

# PIZZA SEGMENT GROWS BY BOUNDS

The seven pizza chains ranking in the Top 100 are expected to post aggregate systemwide sales this year of $7.4 billion, outstripping the 1987 tally by 16 percent. The increase appears to be coming at the expense of other segments, with the Top 100 pizza systems accounting for 9 percent of all Top 100 chains' aggregate sales in 1988, compared with a 8.4-percent share for the prior year.

Fueling the growth is a 15.6-percent spurt in the number of units operated by the Top 100 pizza chains. During 1987, the tally grew by 12.4 percent.

The segment's three leading chains—Pizza Hut, Domino's, and Little Caesars—are expected to collectively develop 1,476 stores, or almost 94 percent of the 1,581 stores that have been scheduled to open this year by the Top 100 pizza chains.

Although the chains' per-unit sale average is expected to grow by only 3.5 percent this year, that increase compares very favorably with the slight decline posted for 1987.

## PIZZA CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Pizza Hut | Dec. | $3,000.0 | $2,600.0 | $2,260.0 |
| 2 | 2 | Domino's Pizza | Dec. | 2,300.0 | 1,977.0 | 1,567.0 |
| 3 | 3 | Little Caesars Pizza | Dec. | 1,000.0 | 725.0 | 520.0 |
| 4 | 4 | Pizza Inn | June | 330.0 | 310.0 | 278.7 |
| 5 | 6 | Round Table Pizza | June | 280.7 | 250.0 | 228.0 |
| 6 | 5 | Godfather's Pizza | May | 245.0 | 275.0 | 260.0 |
| 7 | 7 | ShowBiz/Chuck E. Cheese | Dec. | 240.0 | 236.0 | 240.0 |
| | | Total: | | $7,395.7 | $6,373.0 | $5,353.7 |

Source: NRN Research

## PIZZA CHAINS RANKED BY MARKET SHARE*

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Market Share 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Pizza Hut | Dec. | 40.56% | 40.80% | 42.21% |
| 2 | 2 | Domino's Pizza | Dec. | 31.10 | 31.02 | 29.27 |
| 3 | 3 | Little Caesars Pizza | Dec. | 13.52 | 11.38 | 9.71 |
| 4 | 4 | Pizza Inn | June | 4.46 | 4.86 | 5.21 |
| 5 | 6 | Round Table Pizza | June | 3.80 | 3.92 | 4.26 |
| 6 | 5 | Godfather's Pizza | May | 3.31 | 4.32 | 4.86 |
| 7 | 7 | ShowBiz/Chuck E. Cheese | Dec. | 3.25 | 3.70 | 4.48 |

Segment sales total includes only the intake of chains ranking within the Top 100, and market share figures reflect only Top 100 chains' percentage of that tally.

Source: NRN Research

## PIZZA CHAINS RANKED BY SALES PER UNIT

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | ShowBiz/Chuck E. Cheese | Dec. | $905.7 | $890.5 | $875.9 |
| 2 | 2 | Pizza Hut | Dec. | 540.0 | 510.0 | 500.0 |
| 3 | 3 | Round Table Pizza | June | 515.0 | 500.0 | 490.0 |
| 4 | 5 | Pizza Inn | June | 450.0 | 430.0 | 457.0 |
| 5 | 4 | Domino's Pizza | Dec. | 439.0 | 432.0 | 480.0 |
| 6 | 7 | Little Caesars Pizza | Dec. | 421.0 | 398.4 | 397.6 |
| 7 | 6 | Godfather's | May | 414.0 | 400.0 | 375.0 |
| | | Average: | | $526.4 | $508.7 | $510.8 |

Source: NRN Research

## PIZZA CHAINS RANKED BY NUMBER OF UNITS

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Number of Units 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Pizza Hut | Dec. | 5,900 | 5,400 | 5,100 |
| 2 | 2 | Domino's Pizza | Dec. | 4,700 | 4,279 | 3,605 |
| 3 | 3 | Little Caesars Pizza | Dec. | 2,375 | 1,820 | 1,308 |
| 4 | 4 | Pizza Inn | June | 775 | 710 | 650 |
| 5 | 5 | Godfather's Pizza | May | 580 | 600 | 650 |
| 6 | 6 | Round Table Pizza | June | 575 | 515 | 500 |
| 7 | 7 | ShowBiz/Chuck E. Cheese | Dec. | 265 | 265 | 274 |
| | | Total: | | 15,170 | 13,589 | 12,087 |

Source: NRN Research

# FOCUS | TOP 100

# TRAFFIC DROPS AT FAMILY CHAINS

Despite radical changes at many of the top family restaurant chains, the segment continues to suffer from an erosion of customer traffic. The 15 operators included in the 1988 Top 100 ranking are garnering $6.3 billion in sales this year, or a scant 4.8 percent more than they took in during 1987. Much of that increase stems from price hikes.

The malaise of the market is also evident in year-to-year comparisons of per-unit sales. The average for all Top 100 family restaurant chains is projected to barely top $1 million, for a gain of only 2.9 percent from the prior year's tally.

Vexed by traffic slowdowns, many of the top family restaurants have undergone monumental changes in the past year. Segment leader Denny's slashed its payroll by more than 10 percent after TW Services acquired the chain; runner-up Big Boy split into two with Marriott's sale of franchise rights to Elias Bros.; Shoney's, in a stunning vote of no-confidence in the segment's growth opportunities, sharply curtailed growth to commit its resources to bolster per-store sales.

## FAMILY RESTAURANT CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Denny's | June | $1,250.0 | $1,265.0 | $1,205.0 |
| 2 | 2 | Big Boy | Dec. | 1,030.0 | 1,027.0 | 974.7 |
| 3 | 3 | Shoney's | Oct. | 780.0 | 718.6 | 644.5 |
| 4 | 4 | Friendly | Dec. | 605.0 | 572.4 | 536.0 |
| 5 | 5 | Perkins | Dec. | 370.0 | 343.7 | 315.0 |
| 6 | 6 | Int'l House of Pancakes | Dec. | 328.7 | 297.5 | 265.6 |
| 7 | 7 | Howard Johnson | April | 265.0 | 250.0 | 292.5 |
| 8 | 8 | Bob Evans Farms | April | 259.2 | 221.3 | 176.3 |
| 9 | 9 | Village Inn | Oct. | 232.0 | 218.0 | 206.0 |
| 10 | 10 | Marie Callender's Pie Shops | Dec. | 230.5 | 206.4 | 204.0 |
| 11 | 11 | Waffle House | June | 210.0 | 189.4 | 174.9 |
| 12 | 15 | Bakers Square | Oct. | 190.0 | 156.0 | 130.3 |
| 13 | 13 | Country Kitchen | Dec. | 184.0 | 172.0 | 161.0 |
| 14 | 14 | Coco's | Dec. | 168.0 | 162.0 | 150.7 |
| 15 | 12 | Po' Folks | Sept. | 160.0 | 178.0 | 197.2 |
| | | Total: | | $6,262.4 | $5,977.3 | $5,633.7 |

Source: NRN Research

## FAMILY RESTAURANT CHAINS RANKED BY MARKET SHARE

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Market Share 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Denny's | June | 19.98% | 21.16% | 22.06% |
| 2 | 2 | Big Boy | Dec. | 16.46 | 17.18 | 17.85 |
| 3 | 3 | Shoney's | Oct. | 12.47 | 12.02 | 11.80 |
| 4 | 4 | Friendly | Dec. | 9.67 | 9.58 | 9.81 |
| 5 | 5 | Perkins | Dec. | 5.91 | 5.75 | 5.77 |
| 6 | 6 | Int'l House of Pancakes | Dec. | 5.25 | 4.98 | 4.86 |
| 7 | 7 | Howard Johnson | April | 4.24 | 4.18 | 5.36 |
| 8 | 8 | Bob Evans Farms | April | 4.14 | 3.70 | 3.23 |
| 9 | 9 | Village Inn | Oct. | 3.71 | 3.65 | 3.77 |
| 10 | 10 | Marie Callender's Pie Shops | Dec. | 3.68 | 3.45 | 3.74 |
| 11 | 11 | Waffle House | June | 3.36 | 3.17 | 3.66 |
| 12 | 15 | Bakers Square | Oct. | 2.94 | 2.61 | 2.39 |
| 13 | 13 | Country Kitchen | Dec. | 2.94 | 2.88 | 2.95 |
| 14 | 14 | Coco's | Dec. | 2.69 | 2.71 | 2.76 |
| 15 | 12 | Po' Folks | Sept. | 2.56 | 2.98 | 0.00 |

Segment sales total includes only the intake of chains ranking within the Top 100, and market share figures reflect only Top 100 chains' percentage of that tally.

Source: NRN Research

## FAMILY RESTAURANT CHAINS RANKED BY SALES PER UNIT

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Marie Callender's Pie Shops | Dec. | $1,612.0 | $1,588.0 | $1,650.0 |
| 2 | 2 | Bob Evans Farms | April | 1,400.0 | 1,370.0 | 1,365.0 |
| 3 | 3 | Shoney's | Oct. | 1,365.0 | 1,361.0 | 1,344.0 |
| 4 | 4 | Bakers Square | Oct. | 1,300.0 | 1,240.0 | 1,182.0 |
| 5 | 5 | Perkins | Dec. | 1,160.0 | 1,118.0 | 1,019.0 |
| 6 | 6 | Coco's | Dec. | 1,100.0 | 1,082.0 | 989.0 |
| 7 | 7 | Big Boy | Dec. | 1,100.0 | 1,070.0 | 1,070.0 |
| 8 | 8 | Denny's | June | 1,090.0 | 1,059.0 | 1,028.3 |
| 9 | 9 | Po' Folks | Sept. | 1,030.0 | 1,050.0 | 1,500.0 |
| 0 | 10 | Village Inn | Oct. | 918.0 | 873.0 | 848.0 |
| 11 | 11 | Howard Johnson | April | 795.0 | 750.0 | 750.0 |
| 12 | 12 | Friendly | Dec. | 715.0 | 683.0 | 689.0 |
| 13 | 13 | Int'l House of Pancakes | Dec. | 692.0 | 655.2 | 592.8 |
| 14 | 14 | Country Kitchen | Dec. | 648.0 | 641.0 | 622.0 |
| 15 | 15 | Waffle House | June | 350.0 | 303.0 | 306.0 |
| | | Average: | | $1,018.3 | $ 989.5 | $ 997.0 |

Source: NRN Research

## FAMILY RESTAURANT CHAINS RANKED BY NUMBER OF UNITS

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Number of Unit 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Denny's | June | 1,210 | 1,175 | 1,140 |
| 2 | 2 | Big Boy | Dec. | 960 | 960 | 911 |
| 3 | 3 | Friendly | Dec. | 860 | 842 | 829 |
| 4 | 5 | Shoney's | Oct. | 660 | 604 | 542 |
| 5 | 4 | Waffle House | June | 600 | 650 | 600 |
| 6 | 6 | Int'l House of Pancakes | Dec. | 475 | 454 | 448 |
| 7 | 7 | Perkins | Dec. | 345 | 334 | 328 |
| 8 | 8 | Howard Johnson | April | 320 | 320 | 390 |
| 9 | 9 | Village Inn | Oct. | 272 | 272 | 259 |
| 10 | 10 | Country Kitchen | Dec. | 260 | 251 | 251 |
| 11 | 11 | Bob Evans Farms | April | 201 | 175 | 150 |
| 12 | 12 | Po' Folks | Sept. | 155 | 170 | 176 |
| 13 | 13 | Bakers Square | Oct. | 154 | 138 | 116 |
| 14 | 14 | Coco's | Dec. | 153 | 150 | 153 |
| 15 | 15 | Marie Callender's Pie Shops | Dec. | 151 | 135 | 124 |
| | | Total: | | 6,776 | 6,630 | 6,417 |

Source: NRN Research

# FOCUS | TOP 100

# CHICKEN CHAINS EXPANSION SLOWS

A slowdown in the expansion of the major fast-food chicken chains is curbing systemwide sales growth for the poultry specialists to a 4.5-percent annual rate this year, compared with the 12.5-percent pace posted in 1987.

Overall, the six chicken chains included in the 1988 Top 100 are planning to open a total of only 326 stores this year, for an increase of only 3.1 percent. In contrast, the same chains added almost four times as many units, or 1,235 restaurants, in 1987.

The Top 100 chicken chains are feeling the ill effects of the segment's unbridled growth last year. Per-unit sales have hit a plateau, with the entire segment's average per-store figure likely to increase by a negligible 1.4 percent.

## CHICKEN CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Kentucky Fried Chicken | Dec. | $4,300.0 | $4,100.0 | $3,500.0 |
| 2 | 2 | Church's Chicken | Dec. | 520.0 | 533.9 | 577.7 |
| 3 | 3 | Popeye's Famous Fried Chicken | Oct. | 485.0 | 460.0 | 400.0 |
| 4 | 4 | Chick-fil-A | Dec. | 226.0 | 202.7 | 182.8 |
| 5 | 5 | Grandy's | Dec. | 200.0 | 182.5 | 176.5 |
| 6 | 6 | Bojangles' Chicken 'n Biscuits | Dec. | 180.0 | 180.0 | 195.0 |
| | | Total: | | $5,911.0 | $5,659.1 | $5,032.0 |

Source: NRN Research

## CHICKEN CHAINS RANKED BY MARKET SHARE

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Market Share 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Kentucky Fried Chicken | Dec. | 72.75% | 72.45% | 69.55% |
| 2 | 2 | Church's Chicken | Dec. | 8.80 | 9.43 | 11.48 |
| 3 | 3 | Popeye's Famous Fried Chicken | Oct. | 8.21 | 8.13 | 7.95 |
| 4 | 4 | Chick-fil-A | Dec. | 3.82 | 3.58 | 3.63 |
| 5 | 5 | Grandy's | Dec. | 3.38 | 3.22 | 3.51 |
| 6 | 6 | Bojangles' Chicken 'n Biscuits | Dec. | 3.05 | 3.18 | 3.88 |

Segment sales total includes only the intake of chains ranking within the Top 100, and market share figures reflect only Top 100 chains' percentage of that tally.

Source: NRN Research

## CHICKEN CHAINS RANKED BY SALES PER UNIT

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Grandy's | Dec. | $926.0 | $917.0 | $987.0 |
| 2 | 2 | Bojangles' Chicken 'n Biscuits | Dec. | 818.0 | 818.0 | 640.0 |
| 3 | 3 | Popeye's Famous Fried Chicken | Oct. | 720.0 | 710.0 | 730.0 |
| 4 | 4 | Kentucky Fried Chicken | Dec. | 672.0 | 659.0 | 623.0 |
| 5 | 5 | Chick-fil-A | Dec. | 600.0 | 574.4 | 539.7 |
| 6 | 6 | Church's Chicken | Dec. | 360.0 | 361.1 | 391.5 |
| | | Average: | | $682.7 | $673.3 | $651.9 |

Source: NRN Research

## CHICKEN CHAINS RANKED BY NUMBER OF UNITS

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Number of Units 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Kentucky Fried Chicken | Dec. | 7,800 | 7,522 | 6,575 |
| 2 | 2 | Church's Chicken | Dec. | 1,450 | 1,495 | 1,532 |
| 3 | 3 | Popeye's Famous Fried Chicken | Oct. | 739 | 703 | 618 |
| 4 | 4 | Chick-fil-A | Dec. | 393 | 363 | 346 |
| 5 | 6 | Grandy's | Dec. | 227 | 200 | 197 |
| 6 | 5 | Bojangles' Chicken 'n Biscuits | Dec. | 220 | 220 | 276 |
| | | Total: | | 10,829 | 10,503 | 9,268 |

Source: NRN Research

# FOCUS | TOP 100

# CONTRACT FEEDERS' SALES JUMP

Fueled by acquisitions, contract feeders and concessionaires included in this year's Top 100 ranking are raising their sales more quickly than are the top players in many of the food-service industry's other segments.

The 14 contract feeders in the Top 100 are projected to generate more than $8.1 billion in sales this year, for a healthy 10.2 percent jump over the 1987 tally. However, contributing to that increase is an 8-percent rise in the number of cafeterias, dining rooms, flight kitchens, and airport concessions operated by the group.

Seiler Corp., for instance, posted a 36.4-percent rise in system sales but was buoyed by a 32.5-percent rise in the number of feeding contracts it holds. The company acquired three companies during fiscal 1988.

## CONTRACT FEEDERS RANKED BY SYSTEMWIDE SALES

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Marriott Food & Services Management | Dec. | $1,897.3 | $1,701.2 | $1,130.1 |
| 2 | 2 | ARA Services | Sept. | 1,251.7 | 1,145.0 | 1,013.7 |
| 3 | 3 | Marriott In-Flite Services/Host | Dec. | 1,024.8 | 950.6 | 821.7 |
| 4 | 4 | Canteen Corp. | Dec. | 925.8 | 832.7 | 762.4 |
| 5 | 5 | Service America Corp. | July | 718.6 | 690.9 | 677.4 |
| 6 | 6 | Dobbs | Dec. | 449.2 | 419.8 | 386.3 |
| 7 | 7 | Sky Chefs | Dec. | 352.7 | 333.4 | 416.4 |
| 8 | 8 | Morrison Custom Management | May | 305.0 | 253.0 | 244.0 |
| 9 | 9 | Ogden Allied Aviation Services | Dec. | 241.0 | 210.0 | 187.5 |
| 10 | 12 | Seiler Corp. | Aug. | 225.0 | 165.0 | 160.0 |
| 11 | 11 | Sportservice | Dec. | 193.0 | 174.0 | 149.7 |
| 12 | 10 | Daka | June | 191.0 | 182.0 | 148.0 |
| 13 | 13 | Concession Air | Dec. | 180.0 | 160.0 | 37.8 |
| 14 | 14 | Ogden Allied Services | Dec. | 160.0 | 148.5 | 127.5 |
| | | Total: | | $8,115.1 | $7,366.1 | $6,262.5 |

Source: NRN Research

## CONTRACT FEEDERS RANKED BY MARKET SHARE

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Market Shares 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Marriott Food & Services Management | Dec. | 23.38% | 23.09% | 18.05% |
| 2 | 2 | ARA Services | Sept. | 15.42 | 15.54 | 16.19 |
| 3 | 3 | Marriott In-Flite Services/Host | Dec. | 12.63 | 12.91 | 13.12 |
| 4 | 4 | Canteen Corp. | Dec. | 11.41 | 11.30 | 12.17 |
| 5 | 5 | Service America Corp. | July | 8.86 | 9.38 | 10.82 |
| 6 | 6 | Dobbs | Dec. | 5.54 | 5.70 | 6.17 |
| 7 | 7 | Sky Chefs | Dec. | 4.35 | 4.53 | 6.65 |
| 8 | 8 | Morrison Custom Management | May | 3.76 | 3.43 | 3.90 |
| 9 | 9 | Ogden Allied Aviation Services | Dec. | 2.97 | 2.85 | 2.99 |
| 10 | 12 | Seiler Corp. | Aug. | 2.77 | 2.24 | 2.55 |
| 11 | 11 | Sportservice | Dec. | 2.38 | 2.36 | 2.39 |
| 12 | 10 | Daka | June | 2.35 | 2.47 | 2.36 |
| 13 | 13 | Concession Air | Dec. | 2.22 | 2.17 | 0.60 |
| 14 | 14 | Ogden Allied Services | Dec. | 1.97 | 2.02 | 2.04 |

Segment sales total includes only the intake of chains ranking within the Top 100, and market share figures reflect only Top 100 chains' percentage of that tally.

Source: NRN Research

## CONTRACT FEEDERS RANKED BY SALES PER UNIT

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Ogden Allied Aviation Services | Dec. | $13,390.0 | $13,130.0 | $11,720.0 |
| 2 | 2 | Sky Chefs | Dec. | 10,100.0 | 9,810.0 | 7,180.0 |
| 3 | 3 | Marriott In-Flite Services/Host | Dec. | 9,490.0 | 8,800.0 | 7,470.0 |
| 4 | 4 | Dobbs | Dec. | 6,510.0 | 6,270.0 | 6,040.0 |
| 5 | 5 | Concession Air | Dec. | 3,670.0 | 3,400.0 | 1,990.0 |
| 6 | 6 | Sportservice | Dec. | 1,260.0 | 1,310.0 | 1,300.0 |
| 7 | 7 | Ogden Allied Services | Dec. | 1,090.0 | 1,080.0 | 1,020.0 |
| 8 | 8 | Marriott Food & Services Management | | 920.0 | 897.3 | 597.6 |
| 9 | 10 | ARA Services | Sept. | 723.5 | 715.6 | 699.1 |
| 10 | 9 | Service America Corp. | July | 692.3 | 736.6 | 716.8 |
| 11 | 11 | Canteen Corp. | Dec. | 524.5 | 510.8 | 480.7 |
| 12 | 12 | Daka | June | 441.2 | 455.0 | 452.6 |
| 13 | 13 | Seiler Corp. | Aug. | 424.5 | 412.5 | 432.4 |
| 14 | 14 | Morrison Custom Management | May | 368.1 | 314.3 | 344.6 |
| | | Average: | | $ 3,546.4 | $ 3,417.3 | $ 2,888.8 |

Source: NRN Research

## CONTRACT FEEDERS RANKED BY NUMBER OF UNITS

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Number of Units 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Marriott Food & Services Management | | 1,956 | 1,896 | 1,891 |
| 2 | 2 | Canteen Corp. | Dec. | 1,765 | 1,630 | 1,586 |
| 3 | 3 | ARA Services | Sept. | 1,730 | 1,600 | 1,450 |
| 4 | 4 | Service America Corp. | July | 1,038 | 938 | 945 |
| 5 | 5 | Morrison Custom Management | May | 840 | 805 | 708 |
| 6 | 7 | Seiler Corp. | Aug. | 530 | 400 | 370 |
| 7 | 6 | Daka | June | 430 | 400 | 327 |
| 8 | 9 | Sportservice | Dec. | 153 | 133 | 115 |
| 9 | 8 | Ogden Allied Services | Dec. | 147 | 137 | 125 |
| 10 | 10 | Marriott In-Flite Services/Host | Dec. | 108 | 108 | 110 |
| 11 | 11 | Dobbs | Dec. | 69 | 67 | 64 |
| 12 | 12 | Concession Air | Dec. | 49 | 47 | 19 |
| 13 | 13 | Sky Chefs | Dec. | 35 | 34 | 58 |
| 14 | 14 | Ogden Allied Aviation Services | Dec. | 18 | 16 | 16 |
| | | Total: | | 8,868 | 8,211 | 7,784 |

Source: NRN Research

# FOCUS | TOP 100

# DINNER HOUSES FIGHT SALES SLUMP

The 10 dinner-house chains finishing in the Top 100 ranking are virtually halting expansion this year in an attempt to pull out of the segment's prolonged sales slump.

With several operators committed to closing stores, the top 10 players are projected to operate a total of 1,776 dinner houses by year-end, or only two more than were open on Dec. 31, 1988.

Only Chili's is seeking to add more than a handful of units, with expansion plans calling for the Dallas-based chain to grow by 22.8 percent.

Dampening expansion plans is a traffic decline that will hold the top 10 player's aggregate sales growth this year to 2.7 percent.

Increases in per-unit sales are projected to average only 3.2 percent.

## DINNER-HOUSE CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Red Lobster | May | $1,000.1 | $ 976.0 | $ 875.0 |
| 2 | 2 | Bennigan's | May | 500.0 | 450.0 | 425.0 |
| 3 | 3 | Chi-Chi's | Sept. | 468.0 | 440.0 | 415.0 |
| 4 | 5 | T.G.I. Friday's | Jan. | 405.0 | 364.0 | 349.0 |
| 5 | 4 | El Torito | Dec. | 378.0 | 420.0 | 390.0 |
| 6 | 8 | Ground Round | Oct. | 260.0 | 227.7 | 212.5 |
| 7 | 9 | Chili's Grill & Bar | June | 253.0 | 193.0 | 123.0 |
| 8 | 7 | Steak and Ale | May | 225.0 | 250.0 | 260.0 |
| 9 | 6 | Stuart Anderson's | Dec. | 190.0 | 265.0 | 261.0 |
| 10 | 10 | Houlihan's | Dec. | 153.0 | 146.0 | 125.0 |
| | | Total: | | $3,832.1 | $3,731.7 | $3,435.5 |

Source: NRN Research

## DINNER-HOUSE CHAINS RANKED BY MARKET SHARE

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Market Share 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Red Lobster | May | 26.10% | 26.15% | 25.47% |
| 2 | 2 | Bennigan's | May | 13.05 | 12.06 | 12.37 |
| 3 | 3 | Chi-Chi's | Sept. | 12.21 | 11.79 | 12.08 |
| 4 | 5 | T.G.I. Friday's | Jan. | 10.57 | 9.75 | 10.16 |
| 5 | 4 | El Torito | Dec. | 9.86 | 11.25 | 11.35 |
| 6 | 8 | Ground Round | Oct. | 6.78 | 6.10 | 6.19 |
| 7 | 9 | Chili's Grill & Bar | June | 6.60 | 5.17 | 3.58 |
| 8 | 7 | Steak and Ale | May | 5.87 | 6.70 | 7.57 |
| 9 | 6 | Stuart Anderson's | Dec. | 4.96 | 7.10 | 7.60 |
| 10 | 10 | Houlihan's | Dec. | 3.99 | 3.91 | 3.64 |

Segment sales total includes only the intake of chains ranking within the Top 100, and market share figures reflect only Top 100 chains' percentage of that tally.

Source: NRN Research

## DINNER-HOUSE CHAINS RANKED BY NUMBER OF UNITS

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Number of Units 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Red Lobster | May | 400 | 389 | 382 |
| 2 | 2 | Bennigan's | May | 215 | 207 | 196 |
| 3 | 5 | Ground Round | Oct. | 215 | 191 | 199 |
| 4 | 4 | Chi-Chi's | Sept. | 191 | 195 | 180 |
| 5 | 3 | El Torito | Dec. | 180 | 203 | 196 |
| 6 | 6 | Steak and Ale | May | 160 | 175 | 175 |
| 7 | 9 | Chili's Grill & Bar | June | 140 | 114 | 80 |
| 8 | 7 | T.G.I. Friday's | Jan. | 135 | 128 | 125 |
| 9 | 8 | Stuart Anderson's | Dec. | 85 | 118 | 117 |
| 10 | 10 | Houlihan's | Dec. | 55 | 54 | 53 |
| | | Total: | | 1,776 | 1,774 | 1,703 |

Source: NRN Research

## DINNER-HOUSE CHAINS RANKED BY SALES PER UNIT

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | T.G.I. Friday's | Jan. | $3,000.0 | $2,900.0 | $2,900.0 |
| 2 | 2 | Houlihan's | Dec. | 2,780.0 | 2,700.0 | 2,500.0 |
| 3 | 3 | Red Lobster | May | 2,600.0 | 2,500.0 | 2,400.0 |
| 4 | 5 | Chi-Chi's | Sept. | 2,450.0 | 2,200.0 | 2,200.0 |
| 5 | 4 | Bennigan's | May | 2,200.0 | 2,200.0 | 2,300.0 |
| 6 | 6 | Stuart Anderson's | Dec. | 2,200.0 | 2,200.0 | 2,200.0 |
| 7 | 7 | El Torito | Dec. | 2,100.0 | 2,069.0 | 2,100.0 |
| 8 | 8 | Chili's Grill & Bar | June | 1,990.0 | 1,970.0 | 1,880.0 |
| 9 | 9 | Steak and Ale | May | 1,400.0 | 1,400.0 | 1,500.0 |
| 10 | 10 | Ground Round | Oct. | 1,300.0 | 1,192.0 | 1,068.0 |
| | | Average: | | $2,001.8 | $1,939.2 | $1,913.5 |

Source: NRN Research

# FOCUS | TOP 100

# CAFETERIAS ACCELERATE EXPANSION

The nation's five largest cafeteria chains are countering the segment's ongoing sales sluggishness by slightly accelerating expansion.

Collectively, the five plan to grow by 4.8 percent this year through the opening of 31 cafeterias. In contrast, the group operated only three units more in 1987 than in 1986.

Systemwide sales for the Top 100 cafeteria chains are projected to total $1.2 billion this year, for a year-to-year increase of 6.3 percent. But volume is virtually flat at the unit level, with the segment's 1988 per-store average expected to top the 1987 mean by a scant 1.6 percent.

## CAFETERIA CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Morrison's Cafeterias | May | $ 295.0 | $ 277.9 | $ 262.3 |
| 2 | 2 | Furr's Cafeterias | Dec. | 270.0 | 256.0 | 290.0 |
| 3 | 3 | Luby's Cafeteria | Aug. | 254.0 | 232.8 | 215.1 |
| 4 | 4 | Piccadilly Cafeterias | June | 235.0 | 217.0 | 206.0 |
| 5 | 5 | Wyatt Cafeterias | Dec. | 181.0 | 178.5 | 184.5 |
| | | Total: | | $1,235.0 | $1,162.2 | $1,157.9 |

Source: NRN Research

## CAFETERIA CHAINS RANKED BY MARKET SHARE

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Market Share 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Morrison's Cafeterias | May | 23.89% | 23.91% | 22.65% |
| 2 | 2 | Furr's Cafeterias | Dec. | 21.86 | 22.03 | 25.05 |
| 3 | 3 | Luby's Cafeteria | Aug. | 20.57 | 20.03 | 18.58 |
| 4 | 4 | Piccadilly Cafeterias | June | 19.03 | 18.67 | 17.79 |
| 5 | 5 | Wyatt Cafeterias | Dec. | 14.66 | 15.36 | 15.93 |

Segment sales total includes only the intake of chains ranking within the Top 100, and market share figures reflect only Top 100 chains' percentage of that tally.

Source: NRN Research

## CAFETERIA CHAINS RANKED BY SALES PER UNIT

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Luby's Cafeteria | Aug. | $2,347.0 | $2,384.0 | $2,421.0 |
| 2 | 2 | Piccadilly Cafeterias | June | 1,950.0 | 1,900.0 | 1,900.0 |
| 3 | 3 | Morrison's Cafeterias | May | 1,900.0 | 1,830.0 | 1,740.0 |
| 4 | 4 | Furr's Cafeterias | Dec. | 1,764.7 | 1,695.3 | 1,736.5 |
| 5 | 5 | Wyatt Cafeterias | Dec. | 1,500.0 | 1,500.0 | 1,600.0 |
| | | Average: | | $1,892.3 | $1,861.9 | $1,879.5 |

Source: NRN Research

## CAFETERIA CHAINS RANKED BY NUMBER OF UNITS

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Number of Units 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Morrison's Cafeterias | May | 164 | 156 | 153 |
| 2 | 2 | Furr's Cafeterias | Dec. | 153 | 151 | 167 |
| 3 | 4 | Piccadilly Cafeterias | June | 124 | 116 | 108 |
| 4 | 3 | Wyatt Cafeterias | Dec. | 122 | 119 | 120 |
| 5 | 5 | Luby's Cafeteria | Aug. | 113 | 103 | 94 |
| | | Total: | | 676 | 645 | 642 |

Source: NRN Research

FOCUS | TOP 100

# HOTELS TO SLASH GROWTH IN '88

After years of unbridled hotel development, major hotel chains are slowing growth to a near standstill. This year the nine operators in the Top 100 listing are cutting their expansion rate to 1.9 percent, or exactly half the pace recorded in 1987.

Although room occupancy rates are creeping upward in many parts of the country, food-and-beverage sales per property are flattening off. The segment average is expected to rise by only 3.7 percent this year, reflecting a tendency on the part of many chains to outfit new hotels with less banquet space and fewer restaurants.

The 10 hotel operators included in the 1988 Top 100 are expected to generate food-and-beverage sales of $5.9 billion this year, for a 9-percent rise compared with last year's figure.

## HOTEL CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Sheraton Hotels | Dec. | $1,474.0 | $1,252.9 | $1,193.7 |
| 2 | 2 | Marriott Hotels | Dec. | 980.2 | 875.4 | 739.8 |
| 3 | 3 | Holiday Inns | Dec. | 826.5 | 830.9 | 840.5 |
| 4 | 4 | Hilton Hotels | Dec. | 822.0 | 815.4 | 718.9 |
| 5 | 5 | Westin Hotels | April | 512.0 | 472.1 | 460.2 |
| 6 | 6 | Hyatt Hotels | Jan. | 443.0 | 408.1 | 349.6 |
| 7 | 7 | Ramada Inns | Jan. | 343.0 | 302.0 | 360.6 |
| 8 | 8 | Radisson Hotels | Dec. | 301.4 | 277.4 | 160.0 |
| 9 | 9 | Quality Inns | May | 194.0 | 177.0 | 150.0 |
| | | Total: | | $5,896.1 | $5,411.2 | $4,973.3 |

Source: NRN Research

## HOTEL CHAINS RANKED BY MARKET SHARE

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Market Share 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Sheraton Hotels | Dec. | 25.00% | 23.15% | 24.00% |
| 2 | 2 | Marriott Hotels | Dec. | 16.62 | 16.11 | 14.88 |
| 3 | 3 | Holiday Inns | Dec. | 14.02 | 15.27 | 16.90 |
| 4 | 4 | Hilton Hotels | Dec. | 13.94 | 15.19 | 14.46 |
| 5 | 5 | Westin Hotels | April | 8.68 | 9.46 | 9.25 |
| 6 | 6 | Hyatt Hotels | Jan. | 7.51 | 8.19 | 7.03 |
| 7 | 7 | Ramada Inns | Jan. | 5.82 | 6.34 | 7.25 |
| 8 | 8 | Radisson Hotels | Dec. | 5.11 | 5.57 | 3.22 |
| 9 | 9 | Quality Inns | May | 3.29 | 3.59 | 3.02 |

Segment sales total includes only the intake of chains ranking within the Top 100, and market share figures reflect only Top 100 chains' percentage of that tally.

Source: NRN Research

## HOTEL CHAINS RANKED BY SALES PER UNIT

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Westin Hotels | April | $8,401.0 | $8,759.0 | $7,800.0 |
| 2 | 2 | Marriott Hotels | Dec. | 5,212.0 | 4,943.0 | 4,478.0 |
| 3 | 4 | Hilton Hotels | Dec. | 3,700.0 | 3,120.0 | 2,730.0 |
| 4 | 3 | Hyatt Hotels | Jan. | 3,280.0 | 3,510.0 | 4,120.0 |
| 5 | 5 | Sheraton Hotels | Dec. | 3,077.0 | 2,498.0 | 2,373.0 |
| 6 | 6 | Radisson Hotels | Dec. | 1,826.0 | 1,755.0 | 1,185.0 |
| 7 | 7 | Holiday Inns | Dec. | 523.3 | 519.6 | 512.2 |
| 8 | 8 | Ramada Inns | Jan. | 505.9 | 469.6 | 630.4 |
| 9 | 9 | Quality Inns | May | 221.2 | 208.7 | 195.5 |
| | | Average: | | $2,971.8 | $2,864.8 | $2,669.3 |

Source: NRN Research

## HOTEL CHAINS RANKED BY NUMBER OF UNITS

| Rank 1988 | Rank 1987 | Chain | Fiscal Year Ends | Number of Units 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|
| 1 | 1 | Holiday Inns | Dec. | 1,579 | 1,599 | 1,641 |
| 2 | 2 | Quality Inns | May | 877 | 848 | 767 |
| 3 | 3 | Ramada Inns | Jan. | 678 | 643 | 571 |
| 4 | 4 | Sheraton Hotels | Dec. | 479 | 487 | 503 |
| 5 | 5 | Hilton Hotels | Dec. | 274 | 271 | 266 |
| 6 | 6 | Marriott Hotels | Dec. | 188 | 177 | 165 |
| 7 | 7 | Radisson Hotels | Dec. | 165 | 158 | 135 |
| 8 | 8 | Hyatt Hotels | Jan. | 135 | 116 | 85 |
| 9 | 9 | Westin Hotels | April | 61 | 54 | 62 |
| | | Total: | | 4,436 | 4,353 | 4,195 |

Source: NRN Research

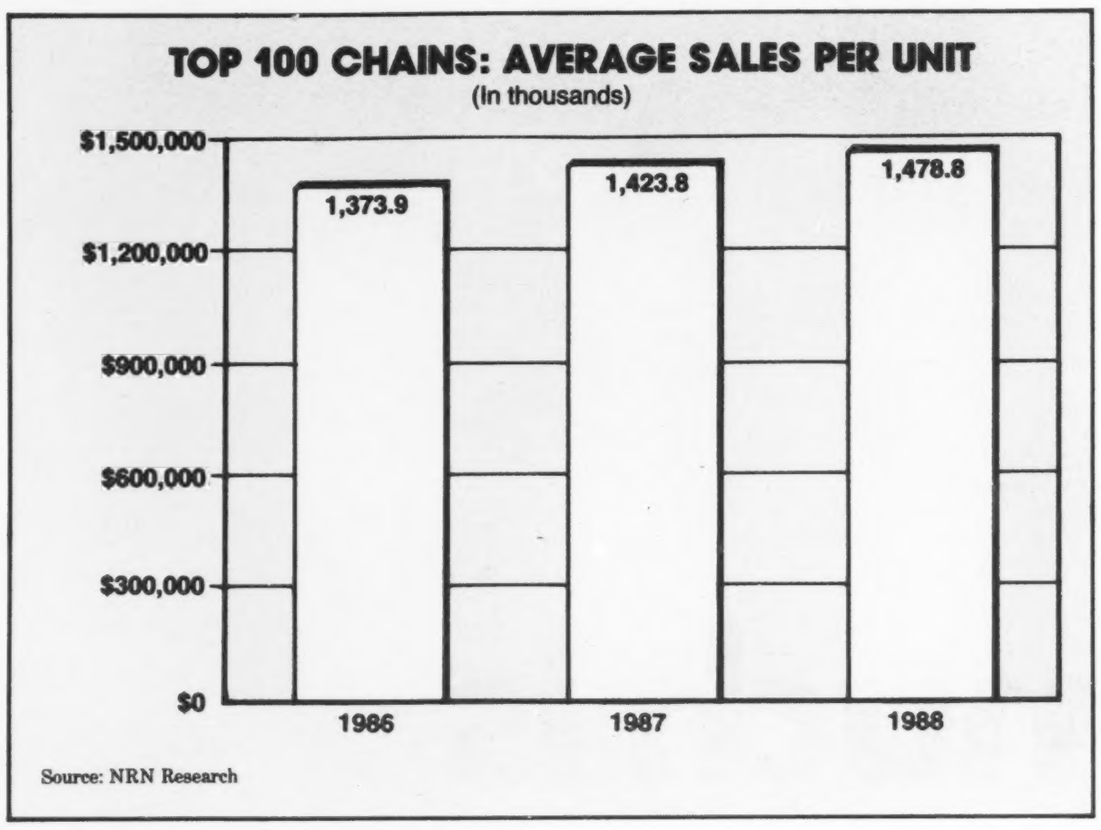
# FOCUS | TOP 100

## TOP 100

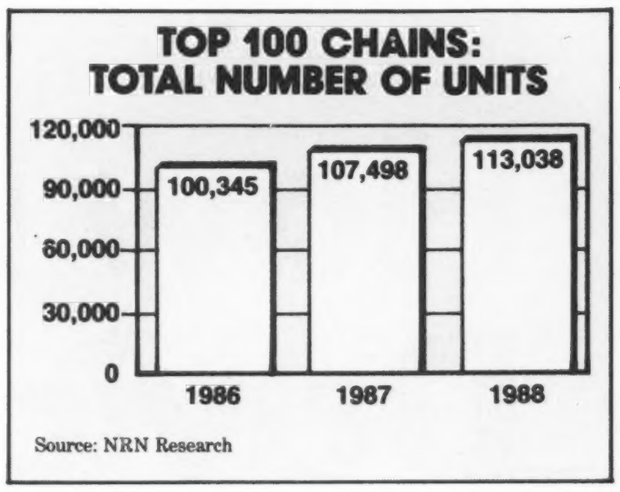
*(Continued from page f1)*
adding 1,000 units; Little Caesars, 555; Seiler Corp., 347 accounts; Chili's, 26 restaurants; Ryan's, 26; Fuddruckers, 23; Bakers Square, 26; Morrison Custom Management, 35 accounts; Whataburger, 25; and Jack in the Box, 73.

Market share among the Top 100 chains is remaining stable this year compared with 1987. McDonald's is slightly expanding its overall share to 19.1 percent from 18.9 percent last year, and Burger King's share dropped slightly to 6.4 percent from 6.5 percent a year ago.

The 10 leading chains are the same as they were in 1987, with McDonald's leading the way with systemwide sales of $15.7 billion followed by Burger King, with sales of $5.3 billion; Kentucky Fried Chicken, $4.3 billion; Hardee's, $3.3 billion; Wendy's, $3 billion; Pizza Hut, $3 billion; Domino's Pizza, $2.3 billion; Dairy Queen, $2 billion; Marriott Food & Service Management, $1.8 billion; and Taco Bell, $1.7 billion.



Source: NRN Research



Source: NRN Research

## EXECUTIVE MERRY-GO-ROUND

*(Continued from page F36)*
to Greyhound Food Management accelerated the process.

Donald Pierce, who had been promoted to Denny's presidency just six months earlier, and chief financial officer John Radebaugh were deposed in January when TW Services president Jerome "Jerry" Richardson took over as Denny's president. As mentioned earlier, Pierce resurfaced several months later as KFC-International president.

Richardson, a strong-minded, hands-on executive with a winning track record at Spartan Food (Hardee's largest franchisee and the operator of more than 200 Quincy's steak houses), was determined to bolster Denny's operations. He has been spending most of his time ever since on the road in Denny's restaurants. At some point, if and when he gets Denny's back on a winning track, he is likely to bring in a new president.

Substituting one James for another at Denver-based Vicorp's 270-unit Village Inn chain, James Carter became president as James Orr resigned in February.

T.G.I. Friday's, the Dallas-based subsidiary of the Carlson Cos., was again rocked with a sudden change as president Mike Jenkins departed in March after 17 months as the successor to founder Daniel Scoggin. Jenkins earlier had briefly headed the Dallas-based S&A Restaurant Corp. Richard Rivera immediately jumped from T.G.I. executive vice president to president. He previously had been chief of El Chico Mexican dinner houses, S&A's Bennigan's restaurants, and W.R. Grace's Del Taco fast-food chain.

In April Fred Malek, a former White House aide to President Nixon, resigned as a Marriott executive vice president to join the George Bush campaign as convention director. Francis "Butch" Cash, executive vice president in charge of restaurants, promptly ascended to president of a new Marriott Services Group. He and John Dasberg, who was promoted to chief of a new Marriott Lodging Group, report directly to chairman and president J. Willard Marriott Jr.

That same month Fred Gonzales, who was engineering a turnaround as chief operating officer of Salt Lake City-based JB's Restaurants, became president. Clark Jones, who was president, remained chairman and chief executive officer.

A merger in May saw San Diego-based Jack in the Box's parent, Foodmaker, acquire Louisville-based Mexican dinner house chain Chi-Chi's. Hal Smith, who had been steering a turnaround as Chi-Chi's chairman, remained chief executive of the chain and became a Foodmaker executive vice president. Robert Nugent, a nine-year Foodmaker veteran, moved up from operations and marketing executive vice president to the new post of Jack in the Box president.

Smith and Nugent both report to Foodmaker chairman and president Jack Goodall.

The merry-go-round continued as Ernest Renaud became Church's president in June, succeeding J. David Bamberger, who said he finally would indeed stick to just being chairman and would let Renaud run the show. Bamberger held the presidency temporarily after C.H. "Buzz" Roman departed last fall to run his own restaurant company. Roman had succeeded Richard Sherman, a lawyer and acquisitions specialist from Hardee's, whom Bamberger named Church's president in 1984.

Renaud was Long John Silver's president for a decade and was with the Golden Corral Corp. four years, most recently as president of its parent Investors Management Corp.

Finally, T. Mark McCall, 30-year-old president and chief executive of South Carolina-based Ryan's Family Steak Houses, resigned after five years in the post. McCall, who owned less than 1 percent of Ryan's, said he wants to make his own mark and start a company. His father, chairman Alvin McCall, reassumed the chief executive officer post, and executive vice president Charles Way, 35, became president. Ryan's had slumped from its family steak-house perch with 5-percent comparative sales drops this year.

## BIG FOUR CONGLOMERATES

*(Continued from page F44)*
Inc., whose acronym is pronounced "Reggie," is based in Irvine, Calif., and has estimated annual sales of $1.2 billion. REGI comprises most of the former W.R. Grace restaurant group, including the Missouri-based Gilbert/Robinson division, and the California-based El Torito, Grace Restaurant Co., and Carrow's divisions.

Among the chain concepts in REGI's 700-unit portfolio are El Torito, Coco's, Carrow's, Houlihan's, Reuben's, Darryl's, Baxter's, Charley Brown's, Bristol Bar & Grill, and Tequila Willie's. Other specialized outlets include the high-grossing landmarks Gladstone's 4 Fish in Los Angeles; Las Brisas in Orange County, Calif.; and Buena Vista Cafe in San Francisco.

REGI was formed last year when 46 W.R. Grace restaurant executives bought control of the group in a deal valued at more than $500 million. In addition to retaining the Texas-based Taco Villa fast-food division, W. R. Grace & Co. retained a 47-percent stake in REGI. Grace chairman J. Peter Grace was named chairman of the group.

REGI managment includes Norman Habermann, president and chief executive officer; Martin Casey, executive vice president and El Torito division president; Michael Malanga, development vice president; Bob Schmidt, strategic planning vice president; Janet Colson, human resources vice president; Dan Rothblum, financial planning vice president; Ken Harris, distribution division president; Rod Downey and Peter Sirkin, marketing vice presidents; and Randy Hiatt, specialty restaurants vice president.

- TW Services, based in New York, posted $2.5 billion in food-service revenue last year, a figure projected to rise to $3.5 billion for 1988.

The company comprises Denny's Inc., operator of 1,200-unit Denny's, 700-unit Winchell's Donut House, and 100-unit El Pollo Loco; Canteen Corp., the industry's No. 3 contract feeder; and Spartan Food Systems, which includes a 380-unit Hardee's franchise and the 215-unit Quincy's Family Steak House chain.

The Denny's chain, with annual sales of $1.2 billion, is based in La Mirada, Calif. Canteen Co., with annual sales of about $925 million from some 1,700 contracts, is headquartered in Chicago. Quincy's, based in Spartanburg, S.C., has annual sales of about $235 million.

The conglomerate was formed last year in the breakup of Transworld Corp., whose executives thwarted a threatened hostile takeover by divesting Transworld's 90-property Hilton International hotel chain and placing Canteen and Spartan Food under the new TW Services umbrella. The reorganization involved the exchange of Transworld shares for an equivalent interest in TW stock. TW subsequently acquired Denny's Inc. last year for $218 million in cash.

TW's officers include Frank Salizzoni, chairman and chief executive; Jerome Richardson, corporate president and president of the Denny's Inc. and Spartan Food subsidiaries; John J. O'Keefe Jr., senior vice president and general counsel; and James R. Painter, senior finance vice president. Robert A. Kozlowski is president and chief executive of Canteen Co.

NEWSPAPER

**Equipment, edibles at West Coast show**

CRA ready for expo/Page F12

**T.J. Cinnamons examines market**

Purchasing/Page 26

**Mass's mot**

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# Operators fight seafood scare

## *Pollution reports spark patron worries*

By Joe Edwards

Seafood house operators are trying to maintain traffic counts this summer by assuring customers that the shellfish and other seafood on their menus is safe.

Customers have been asking tough questions about the origin of restaurant seafood in the wake of widespread reports of worsening ocean pollution.

But restaurateurs claim that customer traffic remains steady and adequate supplies of untainted seafood are available, although often at premium prices.

Nestor Lane, who runs The Fisherman in Asbury Park, N.J., a resort town whose beaches have been closed by pollution for much of the summer, has been informing his customers that most of his seafood comes from Narragansett Bay in Rhode Island and the waters of northern New England.

"We have questions," Lane said. "People are asking where it comes from, probably more than usual." Customer counts at the popular beachfront restaurant are high, Lane said—"Not as high as they used to be, but they're okay."

Lane has noticed a dropoff in fish sales at his other restaurant in nearby Long Branch, where "we're selling a little more beef than seafood. It possibly could be related to the seafood scare."

At the Union Oyster House

*(See **SEAFOOD**, page 4)*

NRN Photo

**Roland Gotti, left, and brother Victor, in Ernie's in San Francisco.**

# *New looks greet diners all over San Francisco*

By Alan Liddle

SAN FRANCISCO—At first glance, Ernie's, the landmark 54-year-old French restaurant with a Victorian decor, seems to have little in common with Route 66, a pastel-hued, '50s and '60s-linked "American Eats" emporium.

A second peek, however, reveals that the two share an important characteristic: a new look.

Those two restaurants, along with several others in San Francisco, including the venerable Fleur de Lys and The Blue Fox, recently went under the decor doctor's knife.

Among the things restaurateurs said they hoped remodeling would accomplish: attract new customers or keep regulars interested; draw attention to a new chef, menu, or bar; and correct design problems.

The $400,000-plus Ernie's remodeling required a three-week closure

*(See **SAN FRANCISCO**, page 68)*

**South of Market comes alive**

Visitors to San Francisco will find new restaurants and clubs in this once deserted district

Page F1

# Whiz-kid Smith takes a whirl with Friendly

By Peter Romeo

CHICAGO — Three years after tarnishing his whiz-kid image in an ill-fated attempt to forge a restaurant kingdom, Donald N. Smith is putting his empire-building skills to the test again through his company's purchase of the 850-unit Friendly chain.

Smith

Tennessee Restaurant Co., which already operates the 334-unit Perkins family restaurant system, has agreed to acquire Friendly, an ailing competitor, from Hershey Foods Corp. for $375 million in cash.

The transaction would immediately transform Tennessee Restaurant into a titan within the family restaurant market, with more than 1,100 units generating some $975 million annually in sales. Only the Denny's chain, a subsidiary of TW Services, encompasses

*(See **FRIENDLY**, page 68)*

# Pizza tops poll on delivery food

By Bill Carlino

LINCOLN, Neb. — By an overwhelming 11-to-1 margin, pizza reigns supreme as the top choice of menu items traditionally offered for home or workplace delivery.

According to results from the July Nation's Restaurant News SRI Poll, 69 percent of those who have ordered a meal from a restaurant and had it delivered to their home or office chose pizza.

NRN/SRI Poll

The NRN/SRI Poll, conducted by the Lincoln, Neb.-based SRI Research Inc., asked 1,002 consumers two questions concerning meal delivery.

First consumers were asked, "When was the last time you ate a meal that was prepared at a restaurant and delivered to your home or office?"

Of the people surveyed, 726 said they had eaten a home or office-delivered meal

*(See **NRN/SRI**, page 68)*

## FOOD WATCH

### *That's Italian!*

SAN JOSE, Calif. — Mike and Ernestine DelMonaco have created a line of "gourmet raviolis" at the Florentine Kitchen to serve at their group of seven northern Italian Florentine restaurants in northern California.

Florentine ravioli is made with a thinner flour and egg dough than is traditional ravioli.

Meat, cheese, and seafood fillings are spread evenly throughout the ravioli, not clumped in the middle. Each bite contains equal parts of dough and filling.

Florentine restaurants are located in Sacramento, Almaden, Mountainview, Saratoga, Redwood City, Cupertino, and San Jose. —Ken Frydman

CHARLES BERNSTEIN ON 'SALUTE TO EXCELLENCE'—PAGE F3

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# NEWS DIGEST

## Furr's/Bishop's reveals plan to bid for Wyatt Cafeterias

LUBBOCK, Texas — In a move to become the nation's largest cafeteria operator, Furr's/Bishop's Cafeterias L.P. said it would soon make a bid for Dallas-based Wyatt Cafeterias Inc.

Wyatt, which operates 120 cafeterias in the Southwest, recently agreed to sell the company to its employees' stock ownership plan for about $84 a share, or $173 million, plus $13 million in merger expenses.

Furr's, which is currently the nation's second-largest cafeteria chain, with about 153 units, would not reveal how much it plans to bid.

## Marriott's In-Flite plots growth in two int'l markets

WASHINGTON — Marriott Corp. said its In-Flite Services airline catering business has acquired Cocina Del Aire, an in-flight feeder based in Mexico, for an undisclosed amount.

Cocina operates 11 kitchens in Mexico, where In-Flite had already established a beachhead with its four kitchens.

Meanwhile, In-Flite is seeking to break into the Japanese market by entering into a joint venture with All Nippon Airways, one of Japan's largest airlines, and Sumitomo Corp., a company described as a trading concern. The partnership intends to bid for in-flight catering and concession-management contracts throughout Japan.

## Second Hilltop restaurant slated for New Hampshire

SAUGUS, Mass. — Hilltop Steak House, the meat eater's paradise here that is widely regarded as the nation's highest-volume restaurant, said it plans to open a unit in Nashua, N.H., as the first step of its new owner's expansion drive.

Meanwhile, the original Hilltop is planning to add more seats to its current inventory of 1,300. The move will likely push the restaurant's sales past last year's estimated tally of $47 million.

In January, businessman John Swansburg purchased a controlling interest in Hilltop from longtime owner Frank Giuffrida.

## Jeremiah Tower readies new tropical restaurant

SAN FRANCISCO — Jeremiah Tower, executive chef and co-owner of the renowned Stars here, is developing a new restaurant with a "tropical" twist.

The restaurant, to be called Speedo's, will open this fall at a site near Stars, Tower said.

Doyle Moon, his partner in Stars, has no involvement in the new restaurant project, Tower said.

## Amid controversy, Circle K suspends health plan curbs

PHOENIX, Ariz. — Following an outcry from the public, Circle K convenience store chain has suspended its policy of denying medical benefits to employees suffering from alcoholism, drug abuse, or sexually contracted AIDS.

Although the 4,077-unit retailer initiated the policy on Jan. 1, the move only recently drew the attention of the major media. At that time Circle K said it took the action to combat skyrocketing health-care costs.

In a letter sent to employees late in 1987 to announce the curtailment of medical benefits, Circle K said it was denying coverage to AIDS victims, alcoholics, and drug abusers because their illnesses resulted from "personal lifestyle decisions."

After the letter came to light in early August, Circle K was criticized by civil-rights groups and organizations representing AIDS victims. Circle K chairman Karl Eller subsequently announced that the policy was being suspended pending further study.

## Winners seeks $4.4 million in suit against Spillman

BRENTWOOD, Tenn. — Winners Corp., a local fast feeder, is seeking $4.4 miliion in damages from industry veteran Francis Spillman for allegedly violating federal laws during his foiled attempt to take over the company.

In a lawsuit filed in a Nashville federal court, Winners accused Spillman of including false information in Securities and Exchange Commission filings pertaining to the chain. Spillman also failed to submit all of the forms that are required by the SEC, Winners alleged.

In April Spillman filed a lawsuit seeking to postpone Winners' annual stockholders meeting and to block a refinancing of the company's debt. The requests by Spillman, who argued that shareholder proxy materials were misleading, were denied by the courts.

Winners operates 51 franchised Wendy's units and 144 Mrs. Winner's fried-chicken restaurants.

## Grand Metropolitan weighs sale of Inter-Continental

MONTVALE, N.J. — Grand Metropolitan PLC said it might sell its Inter-Continental Hotels Group based here, noting that several suitors have already stepped forward.

The lodging group operates 85 Inter-Continental hotels, 13 Forum Hotels, and two Scanticon conference centers. Grand Metropolitan, a British conglomerate, purchased the group from Pan Am in 1981 for $500 million.

Grand Metropolitan would not disclose potential bids or suitors.

**Compiled from staff and news reports**

# *Wendy's net income surges in 2d Q*

**By Peter J. Romeo**

DUBLIN, Ohio — The financial health of Wendy's International improved markedly during the second quarter ended July 3, with the chain's net income of $9.6 million surpassing the tally for the year-ago quarter by more than 405 percent.

Revenues totaled $275.1 million, for a 1.7-percent improvement over the $270.5 million posted a year earlier.

James Near, Wendy's president, attributed the gains in part to the drawing power of the hamburger chain's new Superbar hot-and-cold buffet.

The buffet, which is currently offered in two-thirds of the 3,752-unit system, "has produced immediate sales gains and improves restaurant profitability in almost every market," Near said.

"These results exceeded our business plan, and I'm confident the steps we have taken over the past year to be more efficient will continue to produce significant increases in earnings," chairman Robert L. Barney commented.

Nevertheless, Wendy's income and revenue totals for the most recent quarter fell far short of the figures posted two years ago, when the hamburger chain began its slide into financial trouble. For the second quarter of fiscal 1986, the chain posted a net income of $24.3 million on revenues of $300.2 million.

In addition, average sales per restaurant for the second quarter of 1988 surpassed the year-earlier quarter's mean by only 3.7 percent, or less than the rate of inflation. The average for franchised units inched upward by only 2 percent, while company stores posted a 5-percent rise.

After Wendy's posted second-quarter results, the company's board approved an anti-takeover measure that will go into effect if an investor amasses or offers to buy 20 percent or more of total shares outstanding. Under the defense, shareholders other than the suitor are granted options to increase their stake at reduced prices.

# FOCUS | VIEWPOINT

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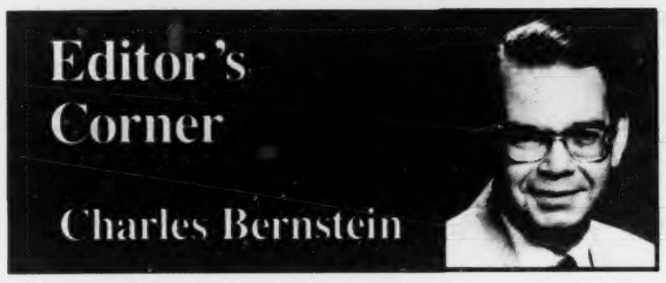
# Salute to Excellence: a daily necessity

"Now hiring for days and nights. $6.50 to $7 per hour. Many benefits. Transportation available."

This advertisement, for employees at both Burger King and an adjacent Marriott Family Restaurant on the Massachusetts Turnpike, is indicative of the salaries, benefits, and inducements that food-service operators must be willing to offer in today's complex labor market.




These measures are prevalent not only in the most difficult labor market, New England, but in other areas too. McDonald's has been offering hourly wages of $7 or more, plus free transportation of 50 or 60 miles in Florida. Busing workers long distances is one creative solution to the whole crisis.

A number of operations in California which previously paid not much more than the $3.35 minimum wage are now paying in the $5 to $6 range (partly as a result of the state's new $4.25 minimum-wage law).

The stark reality is that food-service operators are in a fierce competitive battle with all types of other occupations to hire employees. Even more creative would be solutions that center on improved working conditions, stronger training programs, and appealing advancement opportunities.

Desperate to recruit young people, too many operators are bending the rules and permitting teen-agers work late at night. Although the point could be made that "they're lucky to have a job in the first place," this is still not the best way to handle the situation.

All too typical is a Providence, R.I., restaurant which has been accused of allowing 15-year-olds to bus tables past permitted hours. It even illegally allowed one 17-year-old to work a meat-processing machine.

More to the point is what operators can do to help employees. There are shining examples to emulate in helping young people with their educations.

One is Clyde's Restaurants Group of Washington, D.C., which pays for all outside job-related education. It offers scholarships to cooks, one for the Academy de Cuisine and four others for part-time education. Clyde's was one of the first to recognize the value of a five-day work week and to offer profit sharing and stock options for long-term employees.

It is no wonder that Clyde's and other progressive restaurants don't have trouble recruiting young people, or people of any age for that matter. They also manage to keep their employees for years and build dedication.

Friendly Restaurants, the New England-based family restaurant chain, has a creative commitment to employing people with disabilities and training them through constant demonstrations, support systems, and sign language where necessary.

Friendly knows how to make people feel important whether they are washing dishes, busing tables, or working at the counter. It has deservedly received special presidential citations for employing the handicapped.

But perhaps the key to solving the labor crisis is being spearheaded by the NRA's Educational Foundation Salute to Excellence program. This portrays food service as an appealing career to high school and college students.

Some 140 hotel, restaurant, and institutional management students were honored in a special Salute to Excellence forum in Chicago. They heard how they could achieve career goals from industry executives and leaders such as Patrick O'Malley, Richard Melman, Michael Hurst, Michael Grisanti, Jim Peterson, and Walter Conti.

The idea of students having mentors and role models to emulate encourages them. And this program is mutually beneficial as industry leaders gain more insight into the potentials of these future employees. The students are not likely to soon forget their Salute to Excellence experiences—particularly the discussions and question-and-answer sessions.

Each received a special medallion, T-shirt, program with their photographs, and honor delegate certificates. The items themselves were not as important as the professional pride they symbolized.

Under Daniel Gescheidle, who will soon become president and staff chief of the Educational Foundation, "Salute to Excellence" would be expanded so that industry leaders appear as role models at schools from fifth grade through college. State associations would be encouraged to pitch in also.

Gescheidle, a veteran food-service and distribution executive, also plans to develop specific training formats and standards for restaurant managers in all segments—a feature sorely lacking among most independents.

Yet it is not nearly enough to have just a few major programs like this, worthy as they are. "Salute to Excellence" should be a theme every day in every restaurant, with employees and prospective employees.

When food-service employers truly salute their employees' daily achievements, rather than expecting to be saluted all the time, the industry's labor crisis will subside immensely.

## LETTERS

### *Why pay good money for poor performance?*

Editor, NRN:

In regard to mandatory tipping, I would like to say that my position could go both ways if the service is excellent and the tips stay between 15 percent and 20 percent.

Frankly I have seen nothing written about going out to a restaurant with mandatory tipping, getting poor service, and going to the manager with a serious message.

If your restaurant really wants to give that server a tip, you should pay it! Either you pay, or you loose a customer and the tip. It is your choice.

What does mandatory tipping really mean? Are you going to get a bouncer to beat the tip out of a customer or grab his wallet on the way out the door? I don't think so.

Who really thinks that if a patron gets lousy service, he is going to give the waiter $15 or $20 out of his hard-earned money? Not I. My suggestion is to set up a policy to deal with legitimate grievances so the manager can listen to problems.

That is the way to really find out what's fair and deal with it.

I don't think a manager wants to lose good customers who feel they are throwing away good money to reward poor performance.

**—Peter Greene**
*corporate employment manager*
Ground Round Inc.
Braintree, Mass.

### *Bartender: 'I'll continue earning unreported tips'*

Editor, NRN:

I have something I want to say about the tips vs. mandatory service charge controversy.

I am a bartender in New York and live in Connecticut. The bar pays me $12,000 a year plus my reported tips, which means I can get food stamps.

Last year I made $71,000 in unreported tips.

Go ahead and put a mandatory service charge on drinks. I will still beat the system, just as all cabdrivers, bellboys, and golf caddies do.

I feel sorry for the waitress who works in a place with a mandatory service charge, but if she decides to become a hairdresser, she would be back in the tip business.

**Name withheld by request**

### *'Service staff' describes job better than 'wait staff'*

Editor, NRN:

I have a suggestion.

Let's stop calling waiters and waitresses "Wait staff." Waiters and waitresses provide service. They are not supposed to make us wait.

To better describe what they do, we should call them "service staff!"

Webster's definition of "wait" includes "to serve food." However, the valuable people in restaurants do far more than that. They provide service, and the title by which we refer to them should refer to that fact.

What we are called influences how we think of ourselves and how we perform our jobs. That is certainly true of waiters and waitresses.

**—Judd Goldfeder**
*president*
The Birthday Business
Escondido, Calif.

*Nation's Restaurant News welcomes letters on timely topics. They should be sent to the editor, Nation's Restaurant News, 425 Park Ave., New York, New York, 10022. Letters may be condensed for reasons of space or clarity.*

# Friendly goes to Tennessee

(Continued from page 1)
more family oriented restaurants.

Wilbraham, Mass.-based Friendly and Memphis-headquartered Perkins will be operated as separate chains, a Tennessee Restaurant spokeswoman stressed.

"They will be kept totally, absolutely separate, with no overlap of management whatsoever," she declared.

The one link between the two chains' management will be Smith. He plans to assume the chairmanship of Friendly while continuing to serve as chief executive of Perkins.

Friendly president John Cauley will retain his job "for the foreseeable future," the Tennessee Restaurant spokeswoman said.

"Friendly has a very solid management team and a good penetration of its market," she said. "There are a lot of strengths in the concept. It has a lot of potential. But it's not living up to that potential."

"If Don brings his expertise in turnarounds to the situation, that potential could be realized," she added.

In 1987, Friendly saw its profits slide from the prior year by 9.5 percent, despite a 6.6 percent rise in sales, to $572 million.

While increased competition dampened sales, margins were bashed by an acute labor shortage that forced the chain to pay top dollar for even low-level restaurant employees.

Friendly has attempted to pull out of the slump by slashing its headquarters staff, changing advertising agencies, adopting new employee retention techniques, and touting the value of such new menu items as 99-cent children's meals.

"Friendly's sales should finish the year with a 5 percent improvement," noted a recent report by Stephen Carnes, an analyst for Piper, Jaffray & Hopwood in Minneapolis. "The recent programs to increase consumer service levels, enhance employee benefits, and improve profitability should get Friendly back on track in 1988."

Smith declined to say what tactics he might employ to foster a turnaround at Friendly.

"Suffice it to say that there is a very strong image of quality or halo to the Friendly name," he commented during a brief telephone interview. "It goes without saying that all other pieces can be adjusted to take advantage of that halo."

"Don is not going to go in and make any broad-brush, full scale changes," the Tennessee Restaurant spokeswoman commented. "He'll go in and study every piece of the business before he does anything."

The technique has paid off for Smith in the instance of Perkins, a 33-year-old pancake chain that Tennessee Restaurant took over in 1985 from Holiday Inns. Since then, Smith and a hand-picked team of seasoned industry veterans have outfitted Perkins with a new look, menu, marketing program, building prototype, training center, and research-and-development facility.

For the six months ended June 30, Perkins reported a net income of $4.5 million, for an 18 percent increase over the figure for the first half of 1987.

As chairman and chief executive of Tennessee Restaurant, Smith said, he will continue to keep an eye open for acquisition candidates.

The company, which is based here, is a partnership of Smith, Holiday Inns, and the oil-rich Bass brothers of Fort Worth, Texas. It owns 51 percent of Perkins, which is organized as a limited partnership, and 100 percent of Perkins Management Co., which operates Perkins.

Tennessee Restaurant was formed to buy ailing restaurant companies which Smith could then rejuvenate by tapping the expertise he amassed as a high-level executive of McDonald's, Burger King, Pizza Hut, and Taco Bell during the late 1970s and early '80s.

Between his 36th and 42nd birthdays, Smith racked up a string of head-turning successes as he moved from one giant chain to another. His midas touch made him one of the restaurant industry's brightest stars.

The streak ended in 1983 when he stepped down as president of Pepsico's food-service division, which included Taco Bell and Pizza Hut, to try his hand at empire building. He formed a company called Diversifoods and brought into its fold 375 franchised Burger Kings and such chains as Godfather's Pizza, Luther's Bar-B-Que, Chart House Restaurants, and Moxie's.

The venture fell apart after operational problems, particularly within the then-900-unit Godfather's system, stymied Smith and his management team. After failing to take the teetering Diversifoods private in 1985, Smith resigned at the request of the company's board.

# San Francisco touts new look

(Continued from page 1)
that ended in late July and was overseen by interior designer Barbara Marshall.

Owners Victor and Roland Gotti, brothers, said they were pleased with Ernie's new "brighter" and "more open" look and what it might mean in terms of landing a new generation of customers.

The Gottis admitted, however, that going into the project they had been "concerned" that changing Ernie's might alienate long-time patrons.

After all, they reasoned, the Victorian elegance of the old interior, with its lavish red-silk wall coverings and rich wood paneling, had helped the restaurant win acclaim and a part in Alfred Hitchcock's movie, "Vertigo."

"But we look at the 'before' and 'after' pictures now and we can see where it [the old decor] might have been a little heavy," Roland Gotti conceded.

Victor Gotti said the response of veteran customers who have been in since the remodel has been "positive." One such regular, he said, "just looked in and said, 'Wow!'"

Ernie's new "open" feeling is due primarily to the removal of a beam that blocked the view of the foyer, bar, and main dining room as people entered the restaurant.

Achieving the "brighter" look without sacrificing the decor's Victorian underpinnings required a more complex strategy, however.

Marshall's plan called for retaining a majority of the existing fixtures and furnishings, while replacing much of the red-silk wall covering as well as darker upholstery fabrics with cream-colored versions.

She also chose to replace a draped-fabric canopy in the main dining room with a cream-colored vaulted ceiling, install marble flooring in the previously carpeted entrance and foyer, and revamp the lighting.

At 20-month-old Route 66 on Broadway, just a block from Ernie's, owner Robert Kleiner said he hoped the treatment prescribed by architect Karen Madigan would result in a healthier bar and dinner business.

Kleiner said the $35,000 remodel required a four-week closure and was prompted by his decision to buy a liquor license.

He said he and his contractors replaced the bar top; installed neon accents and hi-tech-deco hanging light fixtures and wall sconces; applied a '50s-style, speckled-paint-look "zolatone" finish to the bar walls; reupholstered chairs and banquettes; and hung new art.

An awning to "attract attention" will soon go up out front, Kleiner said.

Describing the section of Broadway where Route 66 sits as a "tough draw," Kleiner said he bought the liquor license "to bring people in after work."

Once he had a license, he said, a remodel was required because "a bar has to feel like a bar, not like a [lunch] counter."

The dining room improvements were made with the idea that a little more polish might entice bar customers to stay for dinner or sway them and their lunch counterparts to return some other evening, Kleiner said.

"Our style has always been to serve fine food in a casual setting," the Route 66 proprietor explained. "I didn't want to change that, but I did want to bring it [the decor] upscale a bit."

Other San Francisco restaurants remodeled recently:

- The Blue Fox, which reopened this past May following a three-month, $750,000 Larry Masnada-coordinated remodel that included new paint, carpeting, upholstery, chairs, mirrors, and service ware.

New owner John Fassio, whose late father Piero was once a partner in the Merchant Street restaurant, changed the food of The Blue Fox from Continental to Northern Italian. Along with the new food had to come a new image, he said, and "when you change image, you redo everything from fabrics to logo."

The old colors, red, gold, and white, were replaced with peach, bronze, and blue for a "warmer" ambience, Fassio said.

- Fleur de Lys, a 17-year-old French restaurant that owner Maurice Rouas began revitalizing in 1986 when he made chef Hubert Keller a partner. The $60,000 spent in June to makeover the private room next to the bar and to refinish wood surfaces and improve lighting in the dining room was the next step in the revitalization, Rouas said.
- Square One, an award-winning foods-of-the-world restaurant on Pacific Avenue with a dining room described in the past by some critics as "cafeteria-like" and "cold."

Earlier this year, remodelers using banquette booths as center dividers and to direct the attention of customers sitting near the line away from the busy kitchen, transformed Square One's large dining room into what seems like two, more intimate spaces.

Evan Goldstein, who runs the restaurant with his mother, chef-owner Joyce Goldstein, said the "divided" room does a better job of absorbing sound.

As a result, he said, "A lot of business people who enjoyed the food at Square One, but not the noise, have returned to hold meetings here. Our lunch counts since January are better than ever."

- The Courtyard, a nine-year-old, 86-seat "upscale Califoria cuisine" restaurant on Clemement Street. Co-owner Johnathan Holbrook said it cost $25,000 and three days in July to repaint, recarpet, and re-upholster the restaurant. The dominant hue changed from peach to white.

The arrival of chef J.W. King and the realization the carpet and paint had not been replaced since 1983 convinced the owners it was time to remodel, Holbrook said.

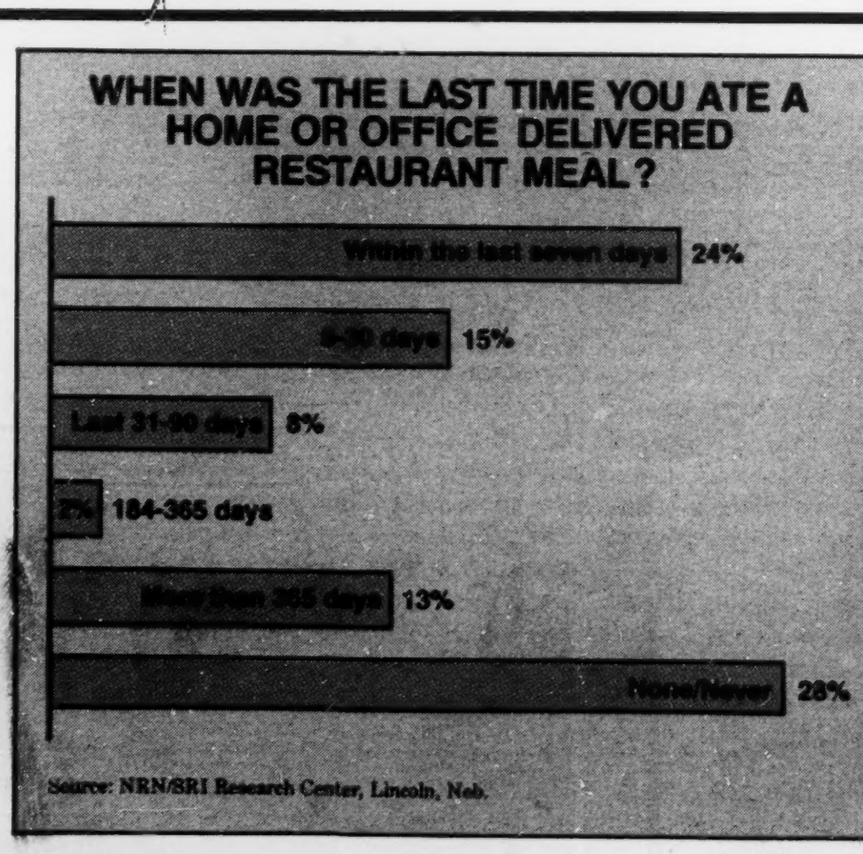
# NRN/SRI Poll

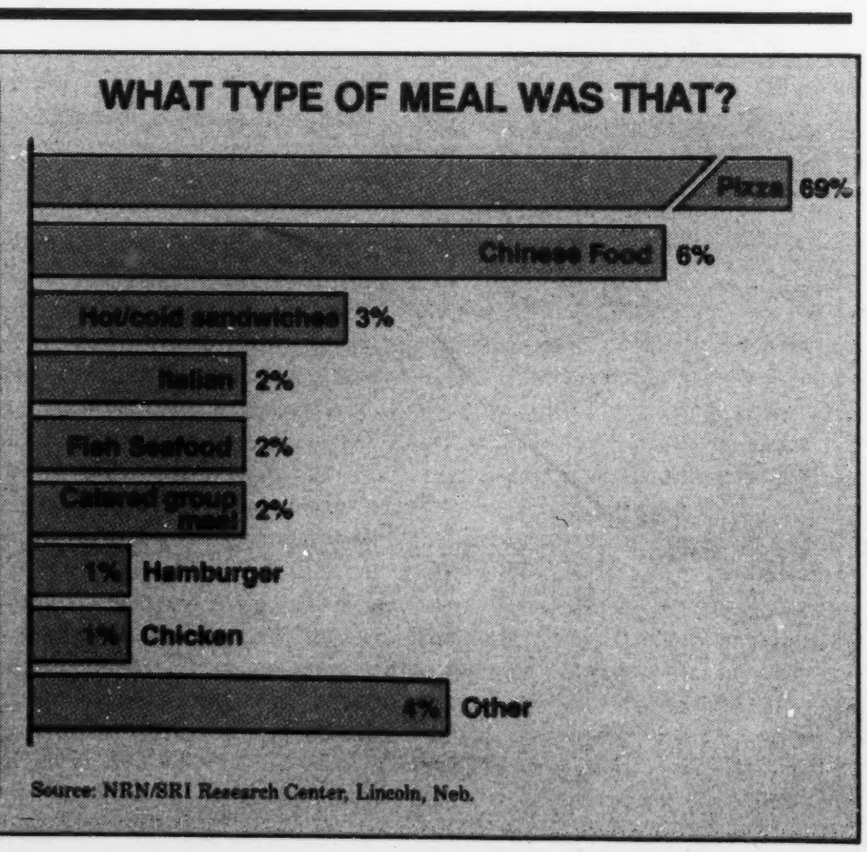
(Continued from page 1)
prepared in a restaurant within the past year. Those who indicated they had eaten ordered a delivered meal were then then asked, "What type of meal was it ?"

Chinese food finished second behind pizza with 6 percent of all responses, while 3 percent replied they had or dered either hot or cold sandwiches.

Twenty-four percent of those polled said they had a meal delivered within the past week; 15 percent indicated they had done so within the last month.

Thirteen percent of the people surveyed said that it was longer than one year since they had a home or workplace delivered meal, and a surprising 28 percent said they have never ordered a home or work-delivered meal prepared by a restaurant.


WHEN WAS THE LAST TIME YOU ATE A HOME OR OFFICE DELIVERED RESTAURANT MEAL?
Within the last seven days 24%
8-30 days 15%
Last 31-90 days 8%
2% 184-365 days
More than 365 days 13%
None/Never 28%
Source: NRN/SRI Research Center, Lincoln, Neb.



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NEWSPAPER

Nation's Restaurant News®

The Weekly Newspaper of the Food-Service Industry

Vol. 22, No. 36 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $26.50 a year | September 5, 1988

# Rising labor costs and legislative woes rule Calif. confab

By Alan Liddle

SAN FRANCISCO — California restaurateurs, some shell shocked by the explosion of labor expenses in recent months, are looking for ways to increase efficiency and reduce turnover and food costs.

Several owners indicated their intense scrutiny of operations was directly related to the introduction of a federal FICA tax on tips in January and the hike in California's minimum wage from $3.35 to $4.25 an hour July 1.

Also prompting a new look at the way they do business, some said, is the certainty of drought-related increases in food prices in the months ahead.

Operators talked about their cost-cutting strategies during last month's Western Restaurant Convention & Exposition in San Francisco, where the government's impact on the bottom line was a hot topic.

John Berwald, owner of Armadillo Willy's

(See CRA, page 82)

Attendance down at Western show
Page 7

NRN Photo

Stephen Risolvato, left, of J. Paul's in Atlanta, talks with Paul Cohn, Barry Silverman, and Heinz Stiehl of CMDC.

## *Atlanta J. Paul's clone sparks owners to action*

By Jack Hayes

ATLANTA — Fueled by the explosive success of J. Paul's, introduced here only two months ago as a carbon copy of Capital Management Development Corp.'s five-year-old Washington, D.C., dining saloon concept, the company is making plans to clone its other Georgetown restaurants into Atlanta's upscale Buckhead market.

"If Pano Karatassos [Pano's & Paul's, The Fish Market, 103 West, Capriccio, and Buckhead Diner] can operate five properties here, why can't we?" asked Paul Cohn, CMDC's director of marketing and new concepts during an interview at the 200-seat, 7,000-square-foot Atlanta J. Paul's, which is on target to gross $4 million its first year.

"Buckhead and Georgetown are equivalent demographi-

(See CMDC, page 4)

## Fast feeders fight franchisor abuse

### *Coalition goes before Congress*

By Deane Evans

WASHINGTON — Franchisors are "abusing" fast-food operators and other franchisees by offering contracts on a "take-it-or-leave-it" basis and terminating franchises "on the whim" of some headquarters vice presidents, franchisee representatives told Congress.

Testifying before the House Small Business Subcommittee on Antitrust, attorney Michael Wild of the Fair Franchising Coalition charged that the success of many franchisees is compromised by "the inordinate power that franchisors

(See COALITION, page 82)

Attorney details unfair practices
Page 82

## FOOD WATCH

### Au naturel!

DALLAS — What's low in calories and cholesterol, high in protein, filled with vitamins, natural flavors, and fiber and has no preservatives? New American/Spa Cuisine. What else?

At his restaurant, Margaux Natural, chef David Feder cooks mainly with olive oil and some sesame and sunflower oils. He uses no animal fats, butter, or other dairy products, with the exception of Bulgarian yogurt. Eggs are also out of the question, except as ingredients in pasta and mayonnaise.

For instance, the butter substitute for the fennel and sun-dried tomato house bread is hummus, a tahini and chick pea mixture.

Feder's pizza begins with a homemade whole-wheat dough topped by a rich tomato, herb, and garlic sauce, then lavished with several types of mushrooms and finely shredded fresh herbs and red onions.

—Ken Frydman

## Rocky Rococo pizza chain closes 30 units

By Carolyn Walkup

MADISON, Wis. — Rocky Rococo, a strong regional pizza chain based here, has closed 30 of its 128 restaurants because of disappointing sales.

"We have pulled our horns in from expansion and will sell or lease those properties," said Tom Hester, Rocky Rococo's president.

The closings mark a sharp about-face for the chain, which grew by leaps and bounds after its entrepreneurial founders began franchising clones of their pizza concept, a cult favorite of University of Wisconsin students, in 1983. Public Storage Inc. of Glendale, Calif., now owns Rocky Rococo.

The entrenchment comes at a time when many restaurant chains are forgoing expansion to focus intently on bolstering the sales of existing units.

Rocky Rococo closed the units in its newer markets after anticipated sales fell below expectations and operating costs proved too high, according to Hester.

The shuttered stores, mostly owned by limited partnership investors and company managed, were in Indianapolis; St. Louis; Denver; Des Moines, Iowa; and Chicago.

Two remain open in St. Lou-

(See ROCKY, page 82)

BERNSTEIN: TRADITION WINS OUT OVER TRENDS — Page F3

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Vol. 22, No. 36 Sept. 5, 1988


## NEWS DIGEST

# Foodmaker to be acquired by New York investors

SAN DIEGO, Calif. — Foodmaker Inc., parent of the Jack in the Box and Chi-Chi's chains, has signed a definitive agreement to be acquired for $247 million by FM Acquisition, a newly formed investment company.

FM Acquisition includes Gibbons, Green van Amerongen, a New York investment banking firm that already controls about 29 percent of Foodmaker's common shares.

Foodmaker operates the 970-unit Jack in the Box quick-service chain and the 191-store Chi-Chi's Mexican dinner-house system.

# Carl Leo Karcher admits to insider stock trading

LOS ANGELES — Carl Leo Karcher, the son of Carl's Jr. founder Carl N. Karcher, has admitted that he traded on insider information when he sold stock in the fast-food chain's parent before the company disclosed a dramatic earnings decline in 1984.

The Securities and Exchange Commission leveled insider trading charges against the younger Karcher, his father, 11 other family members, and one employee of Anaheim, Calif.-based Carl Karcher Enterprises in April. The younger Karcher, a Carl's Jr. franchisee and former Carl Karcher Enterprises vice president, is the only one of the group singled out by the SEC in its motion for a summary judgment.

During a 1985 out-of-court hearing, the SEC said, Karcher admitted that he believed it was his legal right to sell the debentures at a loss. Although he sold the securities for a loss of about $25,500, he avoided a further potential loss of $10,500 by the early sale. He faces forfeiting that amount and civil penalties of up to $31,500 more.

# Wyatt rejects $179M bid from Furr's-Bishop's

DALLAS — Wyatt Cafeterias' board has rejected a $179 million takeover bid from Lubbock, Texas-based Furr's-Bishop's Cafeterias.

Privately held Wyatt has agreed to be acquired by an employee stock ownership plan for $84 a share, or $5 less per-share than the amount offered by Furr's-Bishop's. In rejecting the higher bid, Wyatt cited the tax advantages of selling to the ESOP.

Furr's, which would become the nation's largest cafeteria operator if a deal is struck, said it is considering increasing its bid or taking legal action against Wyatt.

# City orders armed guards for drive-thru restaurants

COMPTON, Calif. — The city council has ordered 18 fast-food restaurants here to hire armed guards for their parking lots in the wake of shootings at McDonald's and Taco Bell units.

Two men were wounded and one woman died during the recent rash of robbery assaults on drive-thru customers. Both woundings occurred at a McDonald's that already has an armed guard inside the restaurant.

Council members insisted the restaurants can afford the typical $110-a-day cost of posting a guard from 2 p.m. until 2 a.m.

# Fuddruckers licensee to buy D.C.'s Little Tavern chain

WASHINGTON — Little Tavern Shops, a 22-unit local hamburger chain, has agreed to be acquired for an undisclosed amount by Atlantic Restaurant Ventures Inc., an operator of franchised Fuddruckers units in the area.

Little Tavern specializes in "sliders," the small burgers that are also the specialty of the White Castle and Krystal chains.

# Government rejects request for school lunch standards

WASHINGTON — A government official has rejected a consumer advocacy group's demands that limits be set on the amount of fat, sodium, and sugar contained in lunches served through school feeding programs.

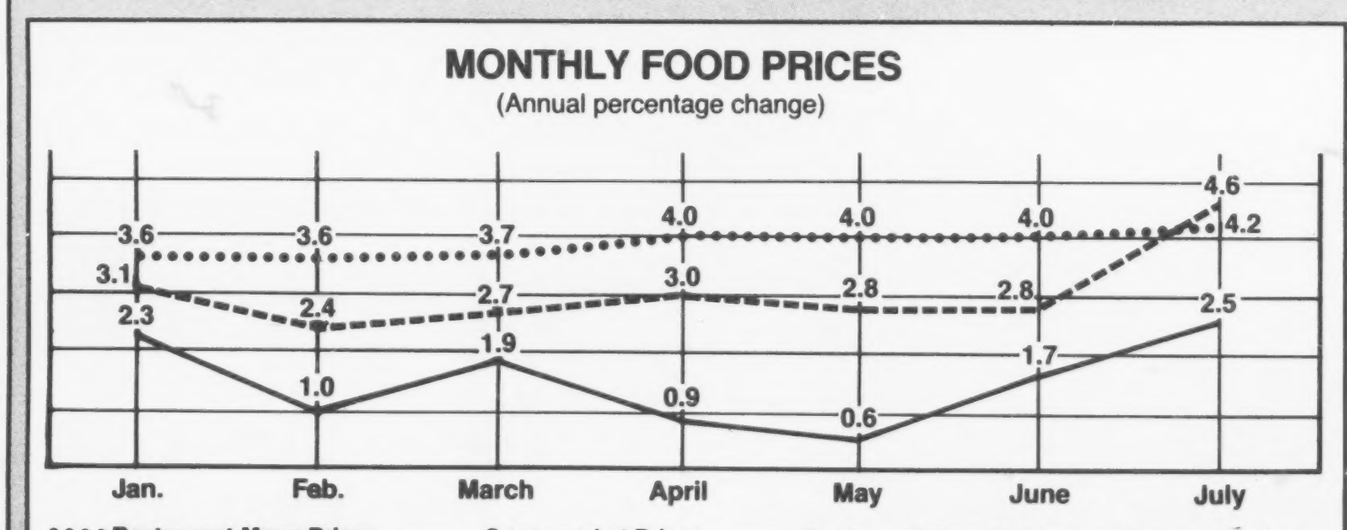
Suzanne Harris, deputy assistant secretary for food and consumer services for the U.S. Department of Agriculture, dismissed the request after the Public Voice for Food and Health Policy criticized current policies. A study by the group blasted school lunch programs for feeding children too much fat and salt and too little fiber.

Harris said there is no research pinpointing how much fat or salt a typical growing child should consume at lunch.

# KFC franchisee to consider bid from Florida suitor

CLEVELAND — Morgan's Foods, a Sizzler and Kentucky Fried Chicken franchisee, said its directors would meet soon to consider a $17.6 million acquisition bid from Romet Corp., a Boca Raton, Fla.-based company.

Morgan's operates 71 KFC units and 11 Sizzler steak-and-buffet restaurants.




Source: U.S. Department of Labor

# *Drought sparks food price hikes*

WASHINGTON — Spurred by the drought, July food prices jumped 2.5 percent over last July's level, the biggest year-to-year unadjusted increase of 1988, according to the U.S. Labor Department.

The Producer Price Index for Finished Consumer Foods, the government's gauge of restaurant commodity costs, has been steadily climbing since May, when it bottomed at 0.6 percent.

Meanwhile, the Consumer Price Index for Food Away from Home increased an unadjusted 4.2 percent in July from the figure for the year-ago month as restaurateurs passed higher food costs along to their customers.

And at the supermarket, prices shot up even faster during the month, rising at a greater rate than restaurant prices for the first time this year. The Consumer Price Index for Food at Home rose at a year-to-year 4.6-percent rate, compared with a 2.8-percent rate during June and May.

Restaurant menu price increases had held steady at a 4.0 year-to-year rate for the previous three months, rising 1.2 percent quicker than supermarket prices during June and May.

# FOCUS | VIEWPOINT

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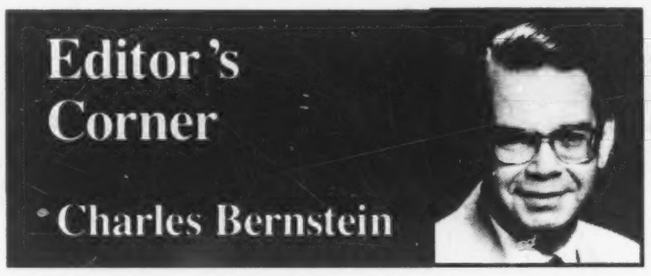
# Golden oldies: tradition wins the fray

Restaurants come and go with lightning speed these days. What is touted as the latest "can't miss" phenom and is regularly jam-packed this year may well be out of business next year when the bloom is off the rose. A trendy place is only as strong as its ability to keep customers coming, and the novelty can quickly fade.

This is true in many cities that are sated with restaurants and too much of the latest "in cuisine." Bu the situation is dramatized in New York City where Biche, Bellini, Bouley, Aquavit, Metro, Toscana, and other trendy spots launched in the past year are riding high.




But where will the same restaurants be next year? We would wager that perhaps half of them will slip drastically as their luster tarnishes and the next wave of hot new places pours onto the scene. They may survive but with less clout.

Image rather than reality is the message. A constant stream of publicity in the daily press and in well-placed gossip and restaurant columns makes these places the ones of choice. But to stay there, they have to measure up in food, quality, and service.

Saturation is still claiming young and old victims. In one month last fall in Atlanta, Pearl's highly touted seafood house was shuttered after two years while Herren's 53-year-old downtown seafood house also closed. More recently, both of S&A's Bay Street seafood restaurants shut down, as did Allan Ripans' 40-year-old Crossroads seafood restaurant.

Everyone wants to get into the restaurant game, and the result is saturation and chaos with non-restaurateurs pouring into the fray. "It's so fashionable to become a restaurateur that every lawyer wants to be one," recently quipped Le Cirque's Sirio Maccioni.

Customers are tired of the unsteady nature of the latest fad. Food fashions have come and to some degree gone at a dizzying pace: nouvelle cuisine with its smaller portions and lighter fare, Cajun, Caribbean, Japanese, Mexican.

We submit that the real backbone of the restaurant business is not the trendy restaurants at all, but the solid, established places that have been on the scene for years, grinding out realiable cuisine at reasonable prices rather than the typical "only $80 for lunch for two."

Perhaps nobody ever heard of them, and maybe famous people rarely go there, but innumerable established restaurants are thriving on New York's overcrowded restaurant scene. A prime example is a one-block area of First Avenue where the 120-year-old Billy's restaurant and the old-time Mayfair restaurant are prospering.

When one walks into these places, one sees nothing pretentious about them. They are upgraded coffee shops at best, but the atmosphere is reasonable, the food is fine, and the price is right—one can actually get a full dinner for $12, one-sixth the price at New York's more glamorous restaurants.

Or, to apply the same reasoning to a far more elegant setting, tradition prevails at the spectacularly renovated Rainbow Room, which Joe Baum typically spared no effort to restore to the splendor of 50 years ago, down to the very last detail. This restaurant has a full house virtually every night, and the long waiting list for reservations is likely to continue for years, rather than passing in the wind, as so often happens.

The dangerous results of tampering with tradition can be seen first-hand at the refashioned "21" Club, where new owners "modernized" the decor and the menu—not completely by any means but enough to change the feeling. In an effort to lure younger customers, "21" lost much of its devoted middle-aged and older base and did not capture much of the younger market.

Little nuances that meant so much are missing at "21." The simple fact that Jerry Berns—or Mr. Jerry, as he is affectionately known—is not as much in evidence on the floor daily under the new regime, has sent more than a few customers scurrying elsewhere for their fine-dining fare.

In short, the delicate balance that it takes to succeed can be hopelessly upset when the original tradition is tampered with. This was also evident at Maxwell's Plum, where Warner LeRoy kept shifting the image of his beloved trendy restaurant until he closed it.

Certainly, restaurants need periodic face-lifts and moderate renovations. But the loss of the original feeling and flair sets off immediate warning signals.

Among our 90 Hall of Fame restaurants chosen in this decade are a several that prove the value of not tampering with established tradition. Just to name a few of the successful Hall of Famers who some might maintain are too tradition-bound, there are David and Karen Waltuck's Chanterelle, New York; Anthony Bommarito's Anthony's, St. Louis; George Perrier's Le Bec Fin, Philadelphia; David Ray's Locke-Ober, Boston; Ella Brennan's Commander's Palace, New Orleans ; Paul Kovi's and Tom Margittai's The Four Seasons, New York; Joseph Pierce's 1894 Pierce's, Elmira, N.Y.; and Lee and Michael Comisar's Maisonette, Cincinnati.

These and so many other established restaurants prove that an old-time eating house with devoted ownership true to its origins can beat a trendy one long-term if not short-term. When the glitter wears off today's trendiest places, the old standbys will still be prospering.

## LETTERS

### *TIPS continues its battle against alcohol abuse*

Editor, NRN:

As you may be aware, TIPS is the internationally acclaimed training program for servers to prevent alcohol abuse. Over the past five years, we have trained almost 100,000 people in all 50 states, Canada, and Mexico.

The TIPS program was subject to an independent university study funded by General Motors and proven to be effective. Copies of that study were published in the American Journal of Public Health as well as Alcohol Health and Research World.

As I am sure you are aware, demand for server training is growing exponentially. It has been fostered by a variety of things, I believe, including the following:

- The crisis involving drunk driving.
- The legal liability that may be incurred when an intoxicated individual injures a third party.
- The skyrocketing insurance premiums (you are probably aware that many major insurance companies either require TIPS training or provide substantial discounts if an establishment is trained in TIPS.) Indeed, both American Express and Diner's Club make available insurance at discounted rates to establishments that use their card if one is TIPS trained.
- The increasing movement among states to require server training. The idea of server training, incidentally, is gaining force internationally. Several of Canada's provinces are considering requiring server training.
- Finally and most important, TIPS training is perceived as the right thing to do. Drunkenness is unhealthy, and TIPS training is helping to create a new cultural norm that makes getting intoxicated socially unacceptable.

What makes the TIPS phenomena exceptional is that a wide coalition of organizations supports such training. TIPS is often called the "CPR of alcohol abuse." Segments of the insurance industry, including the restaurant, hotel, and related fields, all support such training.

On a governmental level, many Alcohol Bureau of Control boards require TIPS training, and police departments and local chapters of the National Council on Alcoholism are trained. The Red Cross is beginning several pilot programs to promote TIPS training.

The list continues.

**—Marc E. Chafetz**
*president*
Health Communications Inc.
Washington

### *On the job at Bay Berry's after letter is published*

Editor, NRN:

Thank you for publishing my letter. I was looking for work and was having a hard time because of my age. I am 52.

Jim Baur, who is part owner of Bay Berry's restaurant, in Bensenville, Ill., contacted me and gave me a job. Right now I am working only part-time, but I have been promised full-time work.

At any rate part time is better than no time. It is also nice to know that your editorial page is read and that there are some results. Thank you again.

**—Inga Pelzman**
Roselle, Ill.

**More letters appear on page F6**

# TRENDS

## Plugola in film pays off in recalls

How much is a simple mention in a movie like "Let me have a Cutty Sark" worth?

Pul-lenty, according to the marketers of the Scotch, who were very happy to hear Alan Alda make the call in the movie "A New Life."

Immediately after seeing the film, viewers were asked "what brand names do you remember in the movie?" An average of 55 percent of all participants recalled the name Cutty Sark and the people who sell that Scotch are hoping that the movie plug pays off at the cash register with more calls for the brand. The normal recall rate for most products is about 35 percent and for alcoholic beverages it is 46 percent.

## Champagne shipments set new record

Champagne shippers are toasting their own records as they review their record-setting sales figures for 1987. Total shipments from the Champagne region hit a new high of 217.8 million bottles, up by 6.2 percent over last year's results. Exports soared to 81.5 million bottles, up 8.3 percent while domestic consumption was 136.3 million bottles, up 5.2 percent.

Great Britain, which imported 19.3 million bottles and showed an increase of 19.5 percent, remains France's biggest international customer, with the United States running second. The other top markets in 1987 were West Germany, 10.6 million bottles; Switzerland, 7.3 million; and Italy, 7.1 million.

Shipments to the United States totaled 15.8 million bottles in 1987, an increase of 6.6 percent over the preceding-year figure. U.S. imports of champagne have soared in the 1980s. It imported 7.1 million bottles in 1982, 9.7 million in 1983, 11.9 million in 1984, 14.2 million in 1985, and 14.9 million in 1986.

Reserve stocks in champagne are a comfortable 700 million bottles, more than three bottles for every one shipped.

## A super-sudsy year for nation's top beer maker

Anheuser-Busch Cos. reported record sales, earnings, and beer volume for the first quarter of 1988. Gross sales were $2.26 billion, up 7.3 percent compared with the same period in 1987.

Net income for the first quarter was $152.4 million, nearly 20 percent higher than the 1987 period. The giant brewer sold 198.2 million barrels of beer, an increase of nearly 5 percent compared with the first three months of 1987.

Anheuser-Busch opened its 12th brewery in 1988. The company is expanding its facilities in Newark, N.J., and Tampa, Fla., and it plans a 13th unit near Cartersville, Ga.

## US boosts production of finer sparkling wines

American wine makers last year continued to shift from bulk processing of wines for sparkling wine to more costly *méthode champenoise* techniques. Production of *méthode champenoise* sparkling wines hit a new high in shipments of more than 2 million cases.

The decline in transfer process brands continued, and shipments of American charmat process wine showed their first drop in more than two decades.

Imports of sparkling wine were off for the first time in many years.

***IMPORTED SPARKLING WINES***

Gallons

| | 1986 | 1987 | % Change |
|---|---|---|---|
| Italy | 5,779 | 5,518 | −5% |
| France | 4,252 | 4,153 | −2% |
| Spain | 3,656 | 3,576 | −2% |

Source: Impact Data Bank

## High-flying corks can be reined in

If you worry about being popped in the eye or popping someone else when you open a bottle of sparkling water, you'll be pleased to learn help is on the way. Theta Resources of San Francisco has developed a polyethylene stopper on a 4-inch tether, which is designed not to blast off on liftoff.

You're not likely to see the synthetic stoppers on great champagnes, which will always use traditional corks. With luck, however, in about a year you should find the polyethylene variety on cheaper bottles of bubbly.

## Ale losing ground to lager in Brit pubs

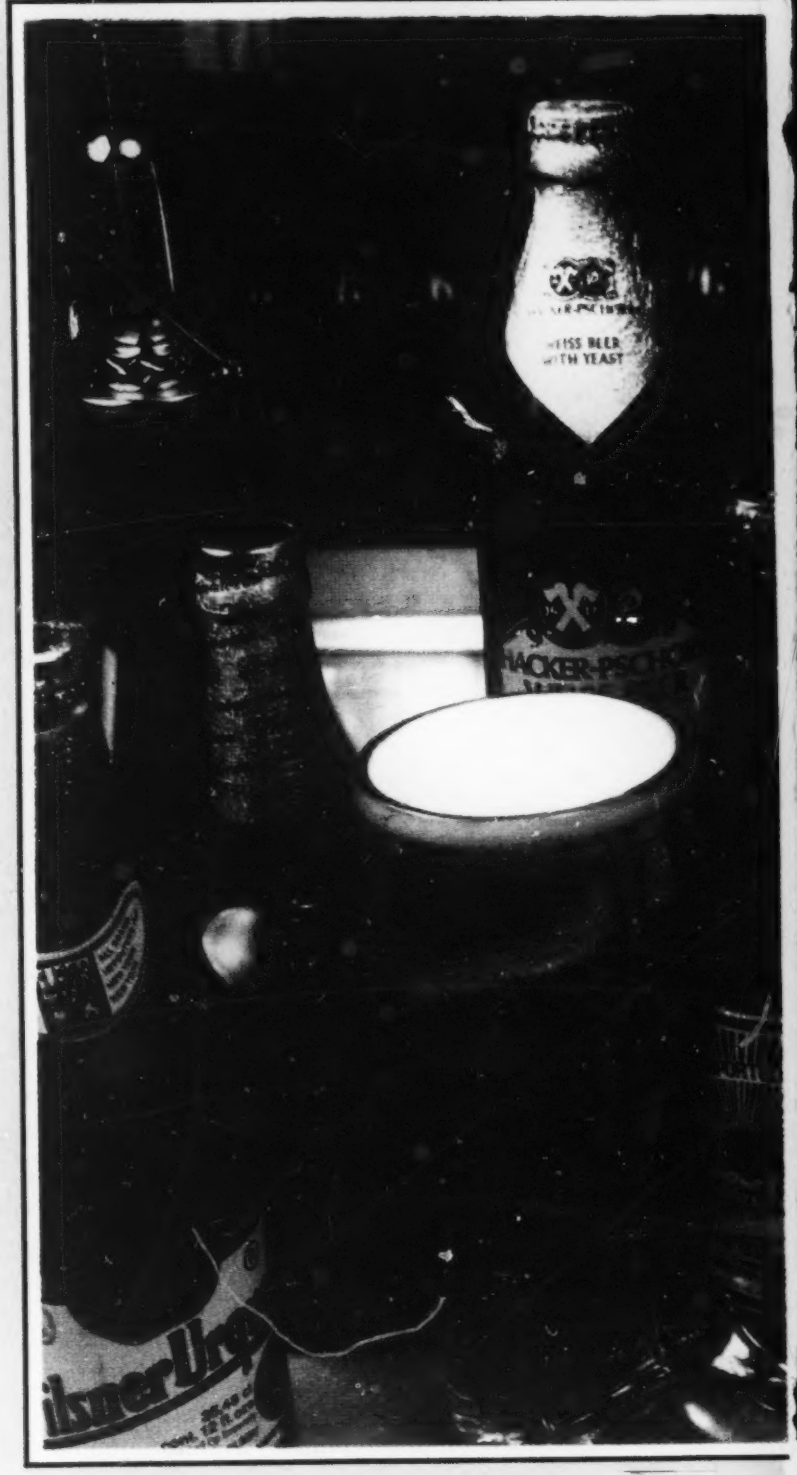
Those stories of British drinkers downing pints of warm bitters may soon become strictly tales from the past. More and more British drinkers are now calling for lager, and they're taking it cold. Approximately 50 percent of beer drinkers in London now favor the lighter brew over their traditional ales.

Lager, which accounted for only 1 percent of the total beer market in England and Wales in the 1950s, now has 44 percent of the market.

# IMPORTED BEER BOOM:

## Growth rate slowed in '87

## *Domestic brews soft as bars add imports, public tries new tastes*



At Caroline's Star Fish Grill, a yuppie hangout in New York's South Street Seaport, five of the bar's 10 beers are imports: Bass Ale on draft, Amstel, Heineken, Dos Equis, and Corona.

Uptown at the more upscale Post House, seven of 11 beers on the list come from far across the Atlantic and the Pacific: Amstel Light, Bass Ale, Beck's, Foster's, Heineken green and brown label, Pilsner Urquell, and Klausthaler non-alcoholic beer.

In East Rutherford, N.J., later this month, the Park & Orchard restaurant will hold its third Gourmet Beer Dinner of 1988. The first two events, largely featuring imports, sold out at $35 a head.

All of this is to show just how much impact imported beer has had on the American market. For more than a decade, sales of imported beers were skyrocketing annually at a double-digit rate, but they slowed down considerably in 1987, though still outrunning the rest of the industry.

Last year the beer industry overall was off by .2 percent, according to statisticians at The Beer Institute, while imported beers were up nearly 6 percent. Imported beers now account for 5 percent of all the beer consumed in the United States.

While the days of double-digit increases appear to be ended, sales of imports are expected to continue to increase. In the first third of the year, generally a high volume period, domestic sales were up 1 percent, while imports were up to a 7-percent annual growth rate.

The Beer Institute estimates that imports should increase at the same 6-percent rate they showed last year, while domestic sales will top out at a 1-percent growth rate. The high cost of imports, particularly in this time of the weak dollar, has contributed to the slowdown in their growth rate in this country.

For bars and restaurants, imported beers represent extra income since they are in the premium and superpremium category. For instance, at Park & Orchard, a glass of Coors goes for $1.25 while Pilsner Urquell costs $2.50, MacAndrew's Scotch Ale $3, and Samichlaus Pale from Switzerland, brewed only once each year, is the most expensive brew at $5.

Park & Orchard, incidentally, has one of the most sophisticated draft beer lists in the East—Guinness, Coors, Watney's, Double Diamond, and New Amsterdam, with the Guinness being available only in pints at $4 a pop.

While the growth rate is slowing down, the attack on the American market and the fight for share continues. Just this summer Guinness introduced a lager beer, Guinness Gold, aimed at America's increasing preference for light beers. It's the first lager that the European giant has made in its 229-year history.

The top five brands—Heineken, Corona Extra, Molson, Beck's, and Moosehead—controlled more than two-thirds of the entire 290 million gallon import market last year. The top 10 split nearly 85 percent of that market.

Europe controls almost half of the import market; the Canadians and the Mexicans, about 20 percent. The big factor in the Mexican picture and the biggest story of recent years in import beers has been the sensational rise of Corona Extra, which shot up in sales from a half-million cases in 1982 to 20.6 million cases in 1987.

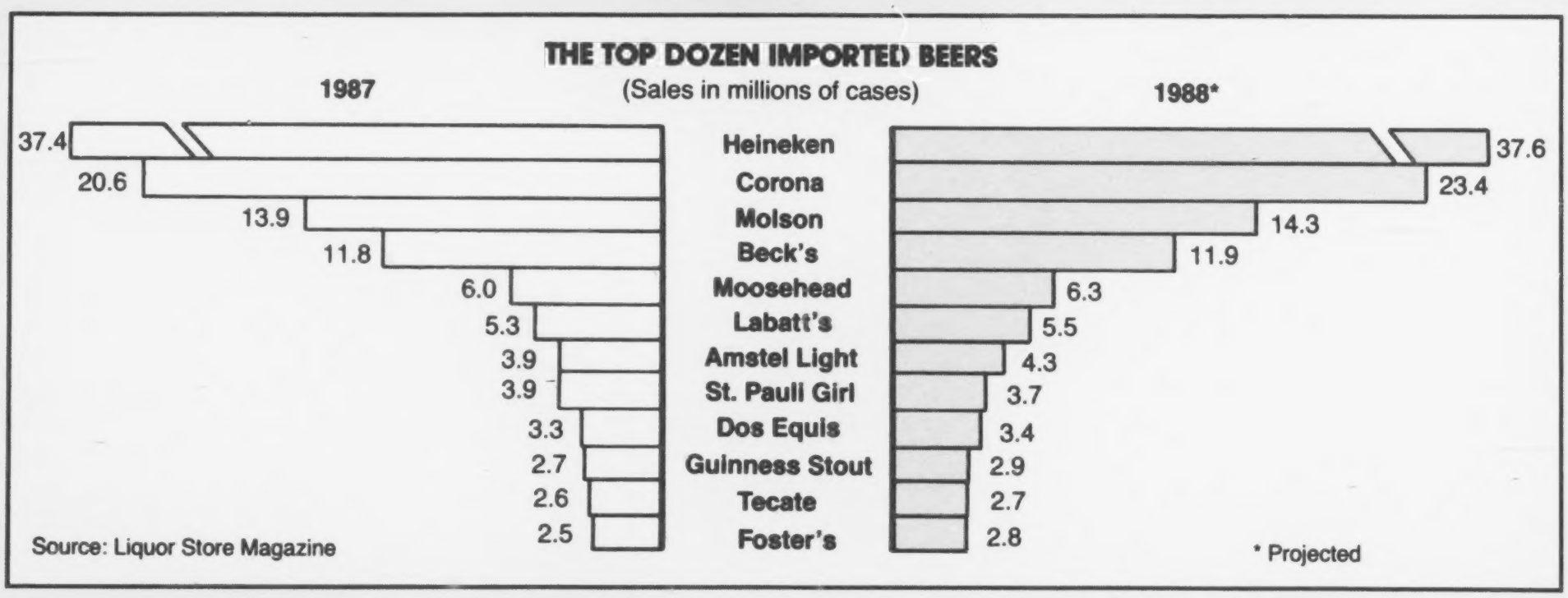
Corona's sales spurt has slowed, hurt quite badly by scurrilous rumors of unwholesome elements in its makeup last year. Barton Brands, its importer, says that the problem has been solved and that the brand is be-

coming even more established, as it is being introduced in additional Eastern markets in 1988

Another beer that has had huge increases is Foster's, which has shown an impressive annual average growth rate of 68 percent since it was introduced to the United States in 1973. Its climb has been helped by America's recent interest in things Australian and by the beer's popularity with sailing and sports fans.

One area where the imports expect to make additional penetration is the light beer category. While it now amounts for about one-fourth of the entire domestic market, it accounts for only about 4 percent of the imported category. John Kucich, chief executive officer of All-Brand Importers, which now has three of the 12 best-selling imports, predicts the next great area of growth will be in the light category. All-Brand recently introduced Moosehead Light.

Amstel Light, the seventh ranked import, currently controls three-fifths of the entire imported light beer category, with sales of 3.9 million cases, and it is projected to increase that total to 4.3 million cases by year's end.



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## Domino's to roll out pan pizza

By Karen Bruno

ANN ARBOR, Mich. — Domino's Pizza is poised to roll out a pan pizza, which would be the first product-line extension in the chain's history.

"It's a little scary," said Thomas Monaghan, founder and president of the 4,500-unit chain, "but we think we can do it."

The new pizza, which is about an inch thick, is currently being tested in two company stores in the Ann Arbor area and three stores in Cedar Rapids, Iowa.

"It's still very much operational testing," said Mike Raymond, group marketing director. "We won't roll it out if it jeopardizes existing customers."

Monaghan has been reluctant to complicate Domino's concept—the delivery of whole, thin-crust pizzas within 30 minutes—by rolling out new dishes. The only other item Domino's delivers is soft drinks.

Some tests of other products, such as a breakfast pizza, were well received by customers but were never introduced chainwide.

"It's doing phenomenally," said a store manager at one of the Cedar Rapids locations, which began selling the pan

*(See **DOMINO'S**, page 102)*

NRN Photo

Keith Dunn, president, left, and Michael Brandson, vice president, of Asheville, N.C.-based McGuffey's.

## *New McGuffey's creed eases labor crisis*

By Jack Hayes

ASHEVILLE, N.C. — McGuffey's wasn't built on the premise that profit sharing and dental insurance will keep cooks and waitresses from robbing restaurateurs blind and biting them in the back.

However, after battling sunken profits and a turnover epidemic that broke 200 percent in 1986, the owners of this $5 million casual lunch and dinner operation have made peace with the idea that employees need to be cared for.

Thus, a little more than 18 months ago, McGuffey's management discovered that listening, goal-setting, trusting, and praising might do more to solve the coming food-service labor crisis than would another million bored

*(See **McGUFFEY's**, page 102)*

## Steel costs spur sticker shock for equipment

By Rick Van Warner

Higher equipment prices, sparked by sharply rising stainless-steel costs, are threatening to escalate the war on restaurant profit margins.

Food-service operators, many of whom are already being pelted by rising labor, food, and real-estate costs, are facing significant price hikes for everything from dishwashers and refrigerators to cooking equipment and utensils.

"The average restaurateur is probably having sticker shock," said Louise O'Sullivan, president of Groen Corp., a food-service equipment manufacturer. "If they looked at the price of a piece of equipment in January, it has probably gone up twice since then."

Although aluminum and copper costs have also risen, it's the price of stainless steel that is having the biggest impact on the food-service equipment business.

Stainless steel, a by-product of raw steel, is a key component in a broad range of food-service equipment and supplies. Increased demand for all types of steel, combined with a dwindling supply of steel imports and higher nickel costs, has sent stainless prices soaring.

"It's a combination of supply

*(See **EQUIPMENT**, page 102)*

## Fine-dining operators write long list of woes

By Ken Frydman

NEW YORK — Scorching heat, the summer vacation exodus, the fish scare, slumping local economies, and oversaturation are all being blamed for sales slumps at upscale independent restaurants around the nation.

The comments came as many of the nation's restaurateurs gathered here for a conference sponsored by Travel-Holiday magazine.

For Louis Szathmary, chef-owner of the Balery restaurant in Chicago, the most challenging obstacle of 1988 has been the weather.

When temperatures consistently climbed above 100 degrees in Chicago this summer, many regular restaurant-goers stayed home with take-out and delivered food.

In suburban Skokie, Ill., Reinhard Barthel's business was also suffering at the Tower Garden & Restaurant.

"Business was a bummer this summer because of the heat," Barthel said.

"In August," Barthel said, "we were down $40,000 over the same month last year. Covers dropped from 100 to 60 at lunch and 100 to 90 at dinner."

"The summer heat and vacations hurt us," said Lew Mitchell of Lew Mitchell's Orient Express in Los Angeles.

**Peterson calls operators to action**

In talk at Travel-Holiday meeting, he rips legislation that milks restaurant industry for revenues.

Page 4

In New York, Jerry Berns of the "21" Club, Felidia Bastianich of Felidia, and Tony May of Palio, Sandro's, and San Domenico all blamed an oppressively hot summer with taking a bite out of their Big

*(See **CONFAB**, page 4)*

## FOOD WATCH

### *Penta goes oom pah pah for Oktoberfest*

NEW YORK — The throngs of German tourists who visit here this fall should feel right at home.

Bavarian oompah music will fill the air, and imported Munich beer will flow on Oct. 2 in the Penta hotel's Bierstube restaurant, which is observing the traditional German festival. But it's the food that will highlight the event.

Among the German specialties on the 90-seat Bierstube's menu this month are Hungarian goulash soup ($3.50), white Bavarian sausage ($4.75), wild mushrooms with bread dumpling ($5.25), sauerbraten with bread dumplings and red cabbage ($8.75), Bavarian sausage loaf ($7.25), liver dumpling soup ($2.95), and roasted veal shank with potato ($11.25).

"We're open year-round, but this is the busiest time of year because of Oktoberfest and all the Germans and other Europeans who stay here," said Peter Wirchansky, who manages the Bierstube and the adjoining Globetrotter restaurant. —Ken Frydman

BERNSTEIN: WHEN THE CONSUMER SPEAKS, TRY TO LISTEN — Page F3

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Sept. 19, 1988

# NEWS DIGEST

## Pritzkers offer $371M in effort to buy Ramada

PHOENIX, Ariz. — The Pritzkers, the Chicago-based family that owns and operates Hyatt Hotels, has tendered a $371 million bid to acquire Ramada Corp., the operator of several lodging systems and the Marie Callender's coffee-shop chain.

Ramada is widely expected to rebuff the $10-per-share offer. The company, which has posted a lackluster financial performance in recent years, has vowed in the past to remain independent.

The Pritzkers, who already control 7.2 percent of all Ramada stock, threatened to take "unilateral action" if their current bid was rejected.

Ramada's holdings include Ramada Inns, Ramada Renaissance hotels, Rodeway Inns, and Tropicana casino-hotels in Las Vegas and Atlantic City.

## Wyatt shareholders approve $173M sale to ESOP

DALLAS — The shareholders of Wyatt Cafeterias have voted to accept a $173 million acquisition bid from the company's employee stock ownership program, all but dashing the chances of a takeover by the chairman of a rival cafeteria chain.

The spurned suitor, Michael Levenson of Furr's/Bishop's Cafterias, indicated through a spokeswoman that he would ask the Texas attorney general to review Wyatt's pending deal with the ESOP. Levenson has alleged that some Wyatt shareholders rebuffed his $188 million offer because of the tax advantages of selling to a stock ownership plan. Yet, he has asserted, three nonprofit companies with sizable stakes in Wyatt would not benefit as much as they would if the company accepted the bigger bid.

A Wyatt director has confirmed that the board rejected Levenson's higher offer because of the tax breaks that stem from selling to an ESOP.

## Godfather's drops discount for late pizza deliveries

OMAHA, Neb. — Following several fatal accidents involving pizza delivery vehicles, Godfather's Pizza has dropped its standing offer of refunding $3 to any patron whose pizza is not delivered within 30 minutes of the time it is ordered.

The 580-unit chain is believed to be the first major pizza chain to shelve a money-back offer, which has played a key role in the development of the pizza-delivery segment.

"In most of these cases local officials believe a 30-minute delivery guarantee was partly to blame," Herman Cain, Godfather's president, said of the deaths. "The perception that they might be [the cause] prompted us to review our delivery procedures, . . . the result of this investigation being the discontinuation of the delivery discount offer."

Even without a money-back guarantee, Cain said, most Godfather's customers will continue to receive their delivery order within 30 minutes.

## After leaving Marriott for Bush, Malek resigns

WASHINGTON — Fred Malek, who stepped down as president of Marriott Hotels to take a high-level job in George Bush's presidential campaign staff, has resigned from the political post amid a storm of controversy.

Malek has admitted that in 1971, while serving as chief of White House personnel for President Nixon, he compiled a list of Jews employed in top-echelon jobs within the Bureau of Labor Statistics. Nixon requested the roster reportedly because he suspected that Jews were manipulating employment figures.

Malek said he did not engage in any anti-Semitic act at the time but was resigning as one of Bush's top advisers so that he would not hamstring the vice president's election campaign.

It was not clear whether Malek would return to Marriott, which granted him an indefinite leave of absence earlier this year. The company restructured its operations in the wake of Malek's departure.

## Yellowstone fires lead TW to close feeding sites

MAMMOTH HOT SPRINGs, Wyo. — Multiple fires in and around Yellowstone National Park have spurred TW Recreational Services to close all food and lodging facilities at least a week earlier than usual.

The Chicago-based concessionaire had only two of 11 food outlets open and 400 of 1,500 rooms rented when it decided to cease all operations. TW expressed concern about the dangers posed to guests and employees by the fires and seemed frustrated by the closing of roads leading to the facilities it manages.

A TW spokesman said food and beverage covers for the week ending Sept. 3 had dropped 67 percent from the figure for the year-ago period, to 21,000.

## Shurtleff discloses plans to retire as Sybra chairman

ATLANTA — Sybra, an Arby's franchisee here, said longtime chairman and chief executive Hugh C. Shurtleff will relinquish his posts on Jan. 1 to step into retirement.

Glenn R. Simmons, a Sybra director, will succeed Shurtleff as chairman, and Charles N. Hyslop, the concern's president, will take on the additional title of chief executive, the company said.

In disclosing the pending changes, Sybra noted that Shurtleff will celebrate his 70th birthday in December. The company operates some 115 Arby's units.

## Dominique's opens spin-off in Inner Harbor complex

BALTIMORE — Dominique's, a dining landmark of nearby Washington, has opened a clone at the Inner Harbor shopping-and-dining mall here.

The new restaurant is the third duplication of the original Dominique's, which has cultivated a healthy following among Washington's elite. Among the 14-year-old prototype's hallmarks are such game dishes as rattlesnake, bear, and alligator.

Dominique's operates a scaled-down unit in nearby Annapolis and a regular-sized restaurant in Miami Beach. A fifth outlet is scheduled to open this fall in West Palm Beach, Fla.

## Marriott earmarks $1B for Residence Inn growth

WASHINGTON — Marriott Corp. will spend $1 billion during the next five years to almost triple the size of its Residence Inn hotel chain, according to the division's executive vice president, David Rolston.

In an attempt to fend off up-and-comers in the so-called extended-stay market, Marriott plans to expand Residence to 300 properties from the present tally of 123, Rolston told Dow Jones News Service.

A Residence Inn features accommodations that resemble apartments more than traditional hotel rooms. The properties cater to travelers who are visiting an area for an extended period of time.

## TRC completes acquisition of Friendly Restaurant

ITASCA, Ill. — Tennessee Restaurant Co., operator of the 345-unit Perkins family restaurant chain, has completed its acquisition of Friendly Restaurant Corp., a 850-store former competitor.

The deal makes Tennessee Restaurant the nation's second-largest operator of family restaurants. Only TW Services, whose Denny's division consists of 1,200 units, has more outlets.

As expected, Donald N. Smith, chairman of both Tennessee Restaurant and Perkins, has assumed the same post at Friendly. He has indicated that Friendly will remain separate from Perkins and will retain its current management.

**Compiled from news and staff reports**

# FOCUS | VIEWPOINT

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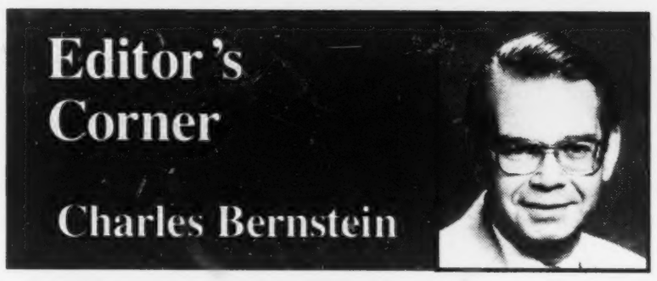
# When the consumer speaks, try to listen

Restaurant operators and trade observers have been scoffing at a Consumer Reports survey of 32 restaurant chains ever since that magazine published the results in July.

Many consider the survey outdated since it was based on a one-year period ended in April 1987. Others call the three segments assigned to chains arbitrary and irrelevant.

One columnist, the publisher of a Cleveland-based food-service magazine, was particularly critical of the results. He termed them "curious and depressing" and questioned "just how much experience this influential publication [Consumer Reports] has measuring something as subjective as dining out." He quoted one chain executive as suggesting that "I'd place a lot more confidence in this sort of thing if, say, CREST had done the survey."




Chains cited for being at the bottom of the cleanliness category maintained, as one executive put it, that "customers too often confuse atmosphere with cleanliness. No matter how clean a restaurant is, if it looks old somebody will perceive it as dirty."

A spokesman for a chain that ranked last in its segment pointed out that since the survey was taken, "we have placed additional emphasis on service and our 'cooked to order' philosophy. We've also added a dinner buffet."

In some cases the defenses are just sour grapes; in others they bring up valid points. But we think the results are highly significant for the industry and the specific chains, regardless of when the survey was taken.

The survey is based on the highest possible sample, 220,000 diners who were asked their opinions on leading family restaurant, steak-house, and dinner-house chains. More than 10,000 responses were received for most of the major chains.

The criteria for ratings were taste, menu selection, service, atmosphere, cleanliness, value, and child accommodations. Each factor is crucially important to the industry, with the possible exception of the last—which still has some application.

Scoring highest in the family restaurants segment were Bob Evans, Marie Callender's, and Shoney's. Howard Johnson was at the bottom.

Among steak houses Western Steer led the way, with Quincy's, Mr. Steak, and Golden Corral close behind. Ponderosa and York tied for last place.

Stuart Anderson's, Steak & Ale, and the Brown Derby ran neck and neck for the dinner-house lead. The Ground Round finished a distant last.

Even if one allows for the improvements made by some chains and the deterioration of others in the time that has elapsed since the survey was conducted, the points that emerge are still valid.

When the consumer speaks, everyone should listen and expect better results than E.F. Hutton achieved. It is no coincidence that a major topic of conversation at the McDonald's stockholder meeting in May was another Consumer Reports survey that had just come out on fast food and gave McD less-than-perfect ratings on nutrition.

Chairman Fred Turner that day seemed to stonewall the issue, perhaps not immediately realizing the full impact. He finally smilingly conceded that "we all ought to read these survey results as soon as possible."

It indeed is a smart idea to take consumer feedback seriously from every source—particularly one whose integrity is as strong as Consumer Reports. Many may disagree with the technicalities of its surveys and with the results, but very few question the honesty of its efforts.

The categories that were averaged to reach the final conclusions of the July Consumer Reports charts and article are exactly the areas where restaurants should want to score highest. Yet one stood out from the others in its impact: value, or the lack of it.

Family restaurants far outdistanced dinner houses in value, which can be interpreted as a price-value perception. Perhaps the real message is that value is uppermost in the consumer's mind and that in some ways value may be construed in terms of "lower price" as well as "getting one's money's worth" in any price range.

Admittedly, the "winners" received a great deal of positive publicity and the "losers' negative publicity. However, it behooves all chains to take these results seriously and to learn from them rather than trying to discredit the survey.

## LETTERS

### *Nathan's Famous beats White Castle by 5 years*

Editor, NRN:

In your Aug. 1 edition, page 4, in the White Castle story, in paragraph four, there is a statement that White Castle is a 67-year-old chain, which we are certain is correct.

However, the final paragraph of the story states that the Ingram family claims that the original five-stool White Castle restaurant, which opened in Wichita, Kan., was the first fast-food restaurant in the country.

That statement is not correct. The first fast-food restaurant in the country was Nathan's Famous, founded in July 1916 at Coney Island, Brooklyn, N.Y., by the late Nathan and Ida Handwerker.

In 1912 the two of them worked as roll slicers at Feltman's Beer Gardens in Coney Island. Entertaining there was the team of Eddie Cantor and Jimmy Durante. They urged Nathan and Ida to open their own stand and sell the hot dogs for five cents instead of Feltman's 10 cents. It took the young immigrants several years to accumulate $300, and in the summer of 1916, they took the plunge.

Over the past 72 years, Nathan's Famous has been acknowledged as the first and longest-running fast-food restaurant chain in the country and perhaps the world—by many reliable sources in the media, government agencies, and the public.

So that there be no misunderstanding, we at Nathan's Famous have great admiration for the White Castle organization, the Ingram family, and the firm's chain of restaurants around the country. Like Nathan's, which has been on the food-service scene for 72 years, White Castle has been for 67 years a culinary part of American democracy, as we see it, and may this continue for many years to come.

**—Max Rosey**
*public relations director*
Nathan's Famous
New York

### *Spartan Food Systems: never a down quarter*

Editor, NRN:

I'm writing in reference to the "Big Mac Competition" item in Reporters' Journal in the July 18 issue of NRN.

There it was stated that McDonald's had achieved 92 straight quarters of increased earnings—a record believed to be surpassed only by that of Shoney's Inc.

Spartan Food Systems, a subsidiary of TW Services Inc., has just completed its 107th consecutive quarter of increased earnings. Spartan Food Systems has never had a down quarter and has been in business since 1961.

**—H. Steve McManus**
*vice president of operations*
Spartan Food Systems
Spartanburg, S.C.

### *Restaurants and hotels need cooperative effort*

Editor, NRN:

I've read with a great deal of interest your Aug. 8 article entitled "Hotels to slash growth in '88."

Although it is generally acknowledged that growth in the full-service segment of the industry is slowing, growth in the economy segment of the lodging industry is more than making up for the number of rooms not being built by full-service organizations such as those you highlighted in your article.

The economy segment of the industry will account for more than 20 percent of all hotel rooms by 1990. Our growth has gone from 20,000 rooms in 1970 to an excess of 50,000 rooms in 1988. It is our segment of the industry that is filling the void left by full-service chains.

Although we do not build restaurants within our properties, an association between our properties and a restaurant organization is very important to the success of both of us.

Thank you so much for including the hotel industry within the scope of your publication, as our two industries truly do work hand in hand.

**—Joan Ganje-Fischer**
*chairman*
Economy Lodging Council
*vice president*
Super 8 Motels Inc.
Aberdeen, S.D.

MARKETING

# Summer ads boost awareness for fast feeders

## *McD, BK, Hardee's, and Arby's register gains*

By Bill Carlino

LINCOLN, Neb. — A steady volume of fast-food commercials flooding the airwaves during peak summer months helped McDonald's, Burger King, Hardee's, and Arby's register increases in ad awareness, according to the Nation's Restaurant News Adtrack Poll.

NRN Adtrack

McDonald's, which captured 47 percent of consumers surveyed in August, jumped three points from the prior month, when it had edged up one point.

Burger King, which hadn't shown a change since the May poll, nudged ahead one point in August, to 14 percentage points. Arby's also moved ahead a point in August, although to only 2 percentage points. Hardee's gained a point in July and stayed at five percentage points in August.

Only Wendy's didn't fare well. After a two-percentage point increase in June, equaling its high for the year at nine percentage points, the 3,950-unit hamburger chain showed a 2-percent dip in August, to seven points, despite the influx of the Hamburger A and "Express-Pak Meal" spots throughout markets nationwide.

In the NRN poll, SRI Research Center Inc., based here, asked a representative sample of 1,000 consumers across the country, "Of all fast-food advertising that you have read, seen, or heard in the last month, which advertising first comes to mind?"

North Carolina-based Hardee's, which in July had reflected its first increase since May, had been running a 30-second spot featuring the California Raisins figurines, which are currently being sold at participating Hardee's units. The commercial had been airing in markets throughout 43 states.

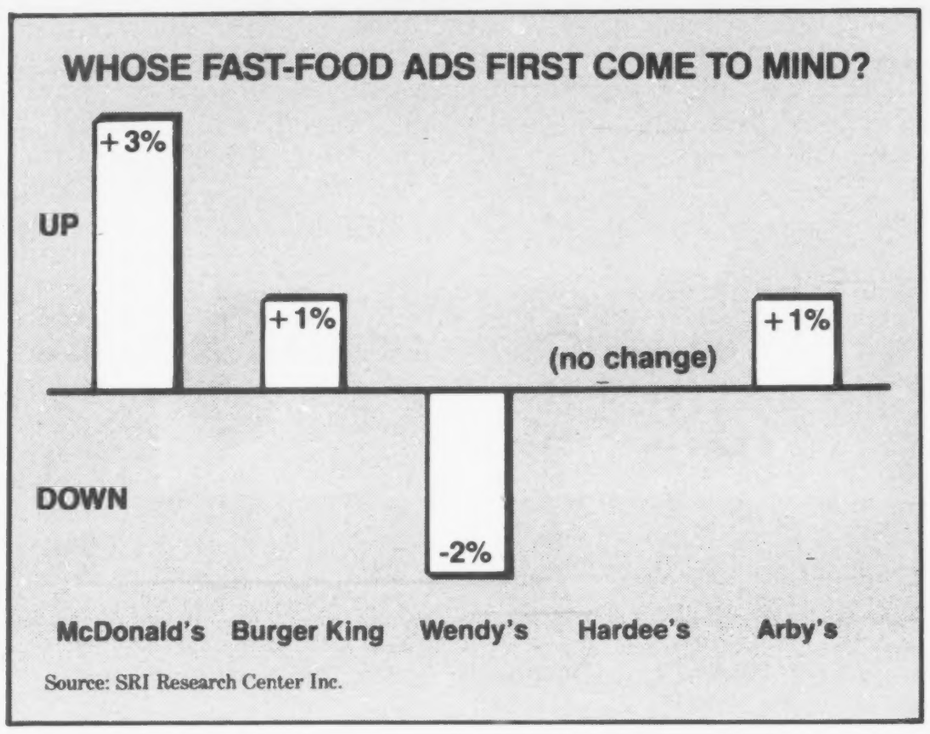
"The California Raisins are one of the most visible characters in commercials today," said Jim Graves, director of advertising and promotion for Hardee's. "We feel that these spots are a unique way to raise customer awareness regarding Hardee's."

In preparation for the fall TV season, hamburger giants McDonald's and Burger King are ushering in a proposed heavy advertising campaign.

McDonald's is reintroducing Mac Tonight, the crescent-headed, piano-playing character, in a prime-time TV commercial blitz beginning this month.

Burger King, which recently retained the services of prominent West coast director Leslie Dektor, now has a block of new commercials for this fall aligning with the flame-broiling concept.

Arby's, meanwhile, is running new "Burger Boycott" commercials filmed in documentary style in Hope, Ind.




## AD WATCH

Fresh from the ground up.
Next time you crunch into one of our crisp, cool salads, the taste might remind you of that beautiful picture on the left. There's a good reason.
We start every salad with the pick of the produce. Make sure it arrives fresh.
Then comes our secret.
We toss salads all day, every day. So when you walk in hungry for a Chef Salad, Garden Salad, or Chicken Salad Oriental, whichever one you choose is crisp, and green, and ready.
If all this fresh talk makes you hungry, you know what to do.
We're tossing your salad right now not far from this picture.
McDonald's
GOOD TIME. GREAT TASTE.™
© 1988 McDonald's Corporation

**Print Time:** **Joining the ranks of the automobile and packaged goods industry, McDonald's has been increasingly visible in national magazines lately, taking out full-page advertisements in such publications as Newsweek and Time. This ad for McDonald's packaged salads appeared in Newsweek.**

*"AdWatch" submissions should be either proofs, prints, or stills of a new print, direct mail, or television advertisement for a restaurant or restaurant chain, with accompanying information on the responsible agency name, if any, and the media time and placement schedule. Submissions should be sent to: Marketing Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.*

## NRN MARKETING DIGEST

### Church's shifts media-buying duties

SAN ANTONIO, Texas — Church's Fried Chicken, in a restructuring of its marketing program, has removed media-buying responsibilities from its full-service ad shop, the Bloom Agency in Dallas, to Western International Media in Los Angeles. The Bloom Agency will continue to handle television and radio creatives.

Savings generated from the move away from a full-service agency relationship will be reinvested in local field marketing efforts, said Wallace Winslow, vice president of marketing at Church's.

Earlier this year the Bloom Agency developed the fast feeder's "Big Pieces, Little Prices" campaign, which is expected to continue. Western International Media is one of the largest buyers of spot television and Hispanic media in the country.

### Chi-Chi's celebrates new ads

LOUISVILLE, Ky. — Chi-Chi's said its new advertising campaign by D'Arcy Masius Benton & Bowles, St. Louis, "A Celebration of Food," is outpacing the previous "When You Feel a Little Mexican" campaign by axed agency Young & Rubicam, Chicago.

The "When You Feel a Little Mexican" campaign was considered a success, but Chi-Chi's said it wanted a new advertising direction before it became stale. Now in its third month, the "Celebration of Food" campaign shows Mexican food as a fun experience.

### Mrs. Winner's rolls breakfast buffet

BRENTWOOD, Tenn. — In a stab at building morning traffic, the Mrs. Winner's fast-food chicken chain has outfitted test units with a breakfast buffet.

Meanwhile, the 140-store system, which the Winners Corp. operates, is adding a line of breakfast muffins that are baked on premises.

Winners has gained experience with an all-you-can-eat buffet through the addition of the SuperBar spread at 17 of its franchised Wendy's units.

### Bob Evans launches logo items

COLUMBUS, Ohio — Bob Evans Farms, a 214-unit, family-style restaurant chain based here, is merchandising its first chainwide items featuring the company logo.

For $3.95, customers can purchase a corduroy cap with the Bob Evans Farms emblem; for $1, an NFL coffee mug with the team symbols of the Pittsburgh Steelers, Tampa Bay Buccaneers, Cleveland Browns, and Cincinnati Bengals. The coffee mug offer includes a free carry-out coffee and a $3 coupon pack for discounts on Bob Evans food.

The baseball caps are available through September, while the NFL mug promotion is scheduled to run through Thanksgiving.

9/30/88 C5150-5

NEWSPAPER

**Capital restaurants battle for prominence**

Focus section follows page 30

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**...hicago operators ...ve with smoke law**

Midwest Report/Page 14

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*The Weekly Newspaper of the Food-Service Industry*

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NRN Photo

**Crews at helicopter station near Gardiner, Mont., send chopper skyward with cargo net of hot meals for firefighters.**

## *Feeding the firefighters: Caterers share the risks*

By Alan Liddle

MAMMOTH HOT SPRINGS, Wyo. — A small but specialized band of camp caterers is leading efforts to feed the legions of firefighters now battling wildland blazes in the West.

At the heart of food-service support for firefighters, whose ranks swelled to 30,000 in recent weeks, are 12 Western catering companies under contract to the Boise Interagency Fire Center in Boise, Idaho.

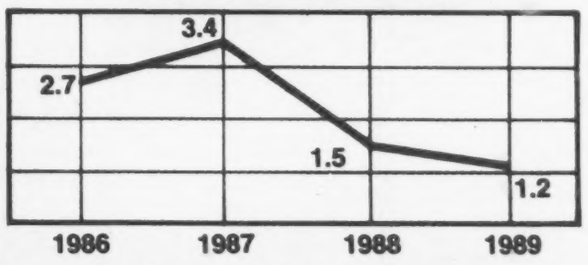
Because no one can predict where fires will start, and because the fire center tries to use the contractor closest to any given fire, financial uncertainty comes along with a national contract.

"It's the biggest horse race and crapshoot in the world," John Keener of Seattle-based

*(See **FIREFIGHTERS**, page 4)*

# IFMA forecasts slowdown in '89

**THE IFMA FORECAST**
**Total Food-Service Industry Growth Rate***
(Annual percentage change)




* Adjusted for inflation. Excludes beverage sales.

Source: International Foodservice Manufacturers Association 1988 Forecast and Outlook

By Peter J. Romeo

NEW YORK — The downturn that has plunged nearly a quarter of the food-service industry into a recession this year will intensify in 1989, capping real sales growth at a paltry 1.2 percent, according to a highly regarded forecast.

The slowdown will be particularly severe for restaurants. Food sales at what the government defines as "separate eating places" will creep upward by a mere 0.9 percent in real or inflation-adjusted terms, according to the International Foodservice Manufacturers Association's 1988 Foodservice Outlook and

*(See **IFMA**, page 130)*

# Bush now backs wage-hike bill

By Ken Rankin

WASHINGTON — In an abrupt shift of position, Republican presidential candidate George Bush dropped his blanket opposition to a federal minimum-wage increase and voiced support for compromise legislation to raise the current $3.35 hourly pay rate.

A key element in the approach Bush endorsed is a new "training wage," under which employers would be allowed to hire inexperienced workers at a special subminimum rate. One training wage plan now widely discussed in Washington would permit the hiring of new employees at 85 percent of the

*(See **BUSH**, page 130)*

**Greek-American operators like Mike**

Greeks offer time and money to send Dukakis to the White House.

**Page 7**

## FOOD WATCH

### *Edible orchids*

CHICAGO — Flowers are the theme at Jackie's 50-seat restaurant on North Lincoln Avenue—from the fake ones in colorful oil paintings and on the china to the real ones decorating the double-clothed tables and the food.

Many of chef-owner Jackie Shen's signature dishes are garnished with edible orchids. For instance, al dente black fettuccine in a light butter sauce is laced with scallions, sesame seeds, and sun-dried tomatoes; strewn with gently cooked sea scallops and shrimp; and complemented by teardrop tomatoes, oak-leaf lettuce, and an edible orchid.

Also, Shen's striped sea bass is served with its shimmering, silver-and-black-striped skin side up in a pool of beurre blanc with a hint of lime; decorated with avocado slices; flanked by a couple of lightly cooked shrimp and teardrop tomatoes; ringed by a few leaves of oak-leaf lettuce; and finished with an edible orchid.

Physically, Jackie's is done in neutral tones with dark wood wainscoting, gray carpeting, etched-glass panels, and a large, strategically placed mirror. Classical or New Age music usually plays softly in the background

—Ken Frydman

# Taco Bell vendor charged in sweepstakes rigging

By Marilyn Alva

LOS ANGELES — The big Taco Bell sweepstakes in 1986 was called "Wheels, Reels and Meals" and promised the lucky winners such prizes as a $28,500 Corvette and $25,000 in cash.

But a two-year investigation by the Mexican fast-food chain and federal authorities has shown that the heavily advertised sweepstakes should perhaps have been named "Wheels and Deals."

A federal grand jury indictment issued here recently alleges that the Taco Bell contest was rigged so that major prize winners were not legitimate, randomly selected customers, but friends and relatives of executives at the company that ran the high-stakes promotion, C&K Marketing of Englewood Cliffs, N.J.

Two C&K Marketing executives as well as three of their relatives and friends were charged with mail and wire fraud in connection with the alleged prize-rigging scam and are scheduled to go to trial Nov. 1.

According to the indictment, C&K's president and vice president, respectively, John Edward Curtin III and Kevin Joseph Kissane, arranged that a friend, James Frederick Lee of San Diego, Calif., be listed as the winner of the grand prize Corvette and that it be shown he had "opted for" $28,500 in cash instead of the car. The indictment

*(See **SWEEPSTAKES**, page 130)*

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Vol. 22, No. 39 September 26, 1988

# NEWS DIGEST

## General Mills puts York on the auction block

ORLANDO, Fla. — General Mills said it has decided to sell its 100-unit York steak-house chain after failing to reposition the 12-year-old concept as an all-you-can-eat buffet.

The sale will free up capital for the expansion of General Mills' two healthy dinner-house systems, 467-unit Red Lobster and 105-store Olive Garden, said Joe Lee, president of the conglomerate's restaurant division.

He did not disclose the asking price for York, which has fared poorly in recent years. Last year General Mills converted almost half of the chain to a smorgasbordlike concept called York's Choice.

## Sale of TW stake breeds reports of a takeover try

NEW YORK — An unidentified party's purchase of a 15-percent stake in TW Services has thrown Wall Street into a fit of speculation about who might be mobilizing for a takeover of the food-service giant.

TW, the nation's fourth-largest food-service concern, operates Denny's, Canteen Corp., 400 franchised Hardee's units, and the Quincy's steak-house chain.

Marriott Corp. and Imasco Ltd., operator of the Hardee's hamburger chain, have both said they are not the buyer of the stake, which corporate raider Ronald O. Perelman sold.

Neither Hanson PLC, operator of the Ground Round dinner-house chain, nor Grand Metropolitan PLC, parent of Intercontinental Hotels, would address reports that it had pocketed the shares for about $137 million.

The speculation has also identified Carl Icahn, the corporate raider whose holdings include Transworld Airlines, as the possible buyer.

Icahn has neither confirmed nor denied the reports.

TW would not comment on the matter.

## Pizza Hut gives Huston 'concept creation' duties

WICHITA, Kan. — In what Pizza Hut describes as a strategic "realignment" to enhance growth opportunities, the chain has shifted Allan Huston from a top financial post to senior vice president of development.

In that newly created perch, Huston is responsible for "the creation and refinement of operations concepts to assure future competitiveness," Pizza Hut said.

His duties also include new concept development, acquisitions, purchasing, and overseeing management information services.

Huston was reassigned to that job as part of a "realignment to place a heavier emphasis on the growth areas," Pizza Hut said.

## Wendy's previews series of products rollouts, tests

DUBLIN, Ohio — Wendy's, in a preview of coming menu attractions, told its shareholders it is rolling out a bacon swiss burger for a limited-time fall promotion.

Meanwhile, the chain said, the Superbar buffets of selected test units have been outfitted with new breakfast products, Oriental foods, ravioli, chicken tacos, and taco salad. The sales trials are in the early stages, Wendy's noted.

The bacon swiss sandwich, which was tested this summer, consists of a quarter-pound burger topped with bacon, swiss cheese, lettuce, tomato, and a sauce.

## McDonald's wins fight over McSleep brand name

BALTIMORE — McDonald's has won its legal battle to stop Quality International from using the name "McSleep Inns" on a new chain of budget-rate motels.

A federal judge here agreed with McDonald's that the McSleep name would be confused with that of the fast-food chain. Quality said it would rename the properties "Sleep Inns."

## Foley exits Hyatt post to follow Lynch at DHL

Foley

CHICAGO — Patrick Foley has resigned as chairman of Hyatt Hotels Corp. to assume the posts of chairman, president, and chief executive at DHL Corp., the overnight shipping service.

His successor at Hyatt has not yet been named.

At DHL, Foley fills the void left by the resignation of another hospitality industry veteran, former Saga Corp. chairman Charles Lynch. He had left DHL to participate in a leveraged buyout of the company that manufactures and markets Levelor Venetian blinds.

## Trump gives Sailhac top F&B job at Plaza

NEW YORK — After several months of speculation, Donald Trump has confirmed that he will entrust a revamp of the Plaza Hotel's food-and-beverage operations to Alain Sailhac, the renowned former chef of the "21" Club and Le Cirque.

In recent advertisements themed "why I bought the Plaza," Trump vowed to restore the landmark hotel to its former grandeur in part by elevating the quality of its various restaurants.

The local restaurant scene had been rife with reports that Trump would assign the task to Sailhac. But the Plaza's staff had downplayed the reports. Shortly afterward, Trump told local reporters he that he had indeed hired Sailhac.

## Gilbert/Robinson execs said to be planning deal

KANSAS CITY, Mo. — Four executives of Gilbert/Robinson, operator of the Houlihan's and Darryl's casual-theme chains, plan to buy 16 restaurants from parent company Restaurant Enterprises Group Inc., according to local press coverage.

According to one report, the prospective purchasers are founder Paul Robinson, currently vice president of design and concept development; Richard May, president, Specialty Restaurant Division; Judy Williams, vice president of operations, Specialty Restaurant Division; and Marvin Clark, chief financial officer.

Clark declined to comment; the others were not immediately available.

## British company acquires 70% stake in Taco Viva

FORT LAUDERDALE, Fla. — Vista Group, a British holding company, has swapped $1.5 million in cash and more than $4 million in unspecified assets for a 70-percent stake in Taco Viva, the 60-unit Mexican fast-food chain based here.

Vista acquired the interest from Taco Viva and the fast feeder's chairman, J. Brian Foulke. It was not clear whether Foulke will retain his post.

In a related development, Taco Viva has agreed to take under its wing the Cisco's five-unit flame-broiled chicken chain. After the merger is completed, Cisco's founder, Thomas H. Gooding, will join Taco Viva's management team.

Terms of that arrangement were not disclosed.

## Sea Galley diversifies in purchase of 2 stores

MOUNTLAKE TERRACE, Wash. — Sea Galley Stores, operator of a 48-unit quick-service seafood chain, is branching into retailing through the acquisition of two Ranch & Home stores in Washington.

The outlets, which were acquired from Ranch & Home Supply Inc., specialize in Western garb, hunting and fishing gear, and farming and ranching supplies.

Details of the transaction were not disclosed.

# FOCUS | VIEWPOINT

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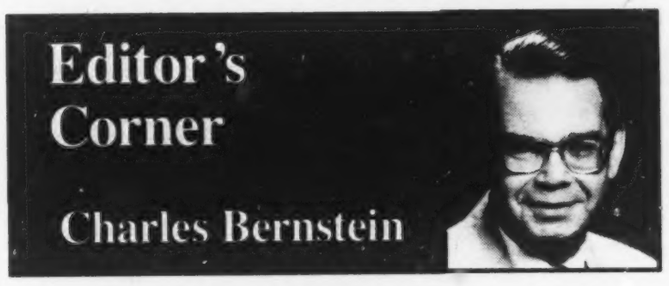
# Piecemeal legislation: combined disaster

A stream of oppressive government regulations has put severe pressure on restaurants over the past few years. When each bill is taken individually, it may not seem like a tragedy. Lumped together, however, they have a devastating cumulative effect.

It is all coming to a head now with a minimum-wage bill nearing a vote at presstime on the Senate floor and a House version also looming before Congress adjourns in early October for fall election campaigning. A watered-down parental-leave-benefits bill also is coming up for a vote.




If only things could return to the good old days of the 1960s when the government did not care about the food-service industry in particular and just left it alone! But we can't turn back the clock.

With the industry's rise in popularity and prominence, it increasingly has come under siege as the favorite government whipping boy for obtaining more revenues. Unfortunately, operators have remained all too silent in the face of the attacks.

Thus the 80-percent meal tax deductibility was passed almost two years ago, with the implicit threat of being further chipped away. Anyone who thinks it really does not matter should have seen the looks on corporate accountants' faces when the taxes were reviewed early this year. Corporations are taking an extrahard look at these expenditures, much to the detriment of fine-dining establishments.

At the same time the industry is being hammered with continued oppressive tip-reporting provisions and—since Jan. 1—with the FICA tax on employee tips, a senseless requirement unless a 100-percent tip credit is allowed rather than the current 40 percent. Yet all we hear is that Congress may raise the tip credit only slightly and that the full FICA tax will remain.

Once again the little guy gets hurt, becoming the victim of provisions intended to protect him. The bureaucratic red tape alone is enough to drive people out of business. The legislation is particularly reprehensible in the light of the Reagan administration's original pledge to sharply reduce the overfattened bureaucracy.

Extensive company-paid health-care benfits loom for 1989 as the next step in the indecipherable maze. The problems here are that food-service operators will pay far more than a fair share of these benefits and that skyrocketing insurance premiums also will result.

Although many allege that the industry keeps crying wolf, it is almost certain that higher minimum wages will cost jobs. In combination, all the measures are exacting a terrible toll on restaurants.

But senators and congressmen appear to view every bill as a separate one. They seem to feel that, taken separately, each one is a perfect instrument for producing more government revenues—a chief objective of the administration.

Not nearly enough attention has been called to the fact that these measures in unison are a combined assault actually threatening to beat down the restaurant industry. This is not what Congress had in mind when it enacted each bill. But each senator and congressman seems to wear blinders and not want to notice the cumulative effects.

It is up to restaurateurs to make their views known on the Hill, to tell their own senators and congressmen that these are not just a few jabs, but rather a series of deadly punches that can be a powerful knockout blow to the industry.

Meal expense deductions are still threatened on every front. Sen. Bill Bradley, D-N.J., has signaled an assault on such deductions by launching a Senate bill that would summarily eliminate business entertainment and meal deductions for individual owners with annual net incomes exceeding $440,000 and gradually reduce the deduction percentage for those with net incomes between $360,000 and $440,000. A whittling away at the current 80-percent allowable deduction also can be anticipated for people at all income levels.

Regardless of whether George Bush or Michael Dukakis is elected in November, it is imperative for the food-service industry to maintain pressure now on Congress and to continually emphasize the damaging effects of all the combined legislation on restaurants.

We urgently need far more voices like that of 1988-89 National Restaurant Association president Jim Peterson, who this month ripped into Congress and the long succession of anti-restaurant legislation. Some congressmen and government officials well may be angry at Peterson's remarks. But he told it like it is, asserting that the government "is milking our industry for revenues" and is "picking on our industry" instead of solving other pressing problems of society.

The net results of the government's actions, accompanied by economic factors and restaurant saturation, are a decline in restaurant revenues, profits, and potentially in jobs. Few senators and congressmen seem to grasp the implications, and it is up to individual restaurateurs to make them aware.

Otherwise, it is no exaggeration to say that all too many restaurants literally will be legislated out of existence.

## LETTERS

### *Graduates: job rewards wait in the 'real world'*

Editor, NRN:

I would like to comment on Atid Kaplan's Aug. 8 column—"Goodbye, hotel and restaurant school; hello, real world"—about the many differences between restaurant school and the "real management" world.

He was right on target. I worked my way up from the kitchen to manager of a local pizza parlor. Sixty-hour work wees, being on call 24 hours a day, everyday, and that "social adjustment" are all parts of the job.

Recent graduates of restaurant management courses should read Kaplan's column carefully. There can be great rewards in managment for those who endure.

**—Bill Brockmiller**
Urbana, Ill.

### *College only 1st step: good luck, graduates*

Editor, NRN:

Ding, dong! Bing, bang, bong! Wow! Did bells ever go off as I read Professor Atid Kaplan's Aug. 8 column, "Goodbye, hotel and restaurant school; hello, real world."

Michigan State University (HRI, '78) was a great place to start. But it's only the first step in a long, hard, but rewarding journey.

Good luck, graduates!

**—Kevin McCarthy**
C. Mascari & Associates Food Brokers
Grand Rapids, Mich.

### *Insights on equipment, maintenance appreciated*

Editor, NRN:

Please accept our grateful and sincere thank you for the tremendous article that Patt Patterson wrote regarding equipment insights and preventive maintenance.

This is tremendous information and will go a long way toward resolving service situations that exist out in the field. The article was well written and informative.

Thanks for the good job being done by Nation's Restaurant News in this area.

**—James E. Milleville**
*president*
United Marketing Associates
Livonia, Mich.

### *For value and service, don't forget Pizzeria Uno*

Editor, NRN:

Your July 18 editorial, entitled "The winning touch: family dinner houses," was largely on target concerning the general malaise in the restaurant industry. The success of the five chains you cited is certainly due to their perceived value and service; whether Chili's and Roma's can be characterized as family restaurants in less certain.

More importantly, another chain deserves to be included in your short list of current successes: Pizzeria Uno. It's newest unit at 81st St. and Columbus Avenue on New York's trendy upper West Side is a perfect example of how to build a loyal customer following.

Unlike its competitors in that area, Pizzeria Uno did not open with high prices, shoddy service, and questionable food. As a result it has done record volume and, more importantly, gotten rave reviews by those who count the most—customers.

**—John Gerlach**
Bear, Stearns & Co. Inc.
*board member*
The Uno Restaurant Corp.

# Bush backs minimum wage

(Continued from page 1)
regular hourly minimum for their first 60 to 90 days on the job.

In contrast, the legislation being promoted now by congressional Democrats contains no such training-wage provision. The Senate bill would boost the minimum to $4.55, while the version approved by the House Labor Standards Committee calls for a whopping 50-percent increase, to $5.05.

Although representatives of Bush told Nation's Restaurant News that he had not, at first, endorsed a specific wage rate—"That might happen in a week or so," one said—other GOP leaders have recently suggested a hike to the $4-to-$4.25 range.

Earlier this month Bush's running mate, Sen. Daniel Quayle, R-Ind., expressed support for a $4 hourly minimum linked to a training-wage provision, and Ann McLaughlin, secretary of labor, suggested that President Reagan would not veto legislation along those lines.

Although food-service leaders widely support a special training wage, the vice president's minimum-wage-position shift drew a mixed reaction at best from the restaurant industry.

Richard Berman, chairman of the food-service-industry-backed Minimum Wage Coalition to Save Jobs, called Bush's reversal a "disappointment," adding that it came at a time when the minimum-wage drive was losing ground.

Meanwhile, Mark Gorman, National Restaurant Association government relations chief, voiced similar concerns, adding that the NRA continues to oppose any change in the federal minimum wage.

Other industry segments are more flexible, however. Earlier this summer the Food-service and Lodging Institute announced that its chain members were prepared to reconsider their opposition to pending minimum-wage legislation if a compromise could be struck involving a training wage.

*Earlier this month Bush's running mate, Sen. Daniel Quayle, R-Ind., expressed support for a $4 hourly minimum linked to a training-wage provision, and Ann McLaughlin, secretary of labor, suggested that President Reagan would not veto legislation along those lines.*

"This does not mean that we'll endorse any minimum-wage increase if it is coupled with a training wage," explained John Merritt, government relations committee chairman at the institute. According to Hardee's vice president, he said, "we are going to have to look at the numbers when a bill finally begins to emerge."

Bush's new position on the minimum wage represents a radical departure from his earlier statements on the issue. In a formal position paper supplied to Nation's Restaurant News by the GOP presidential campaign staff only a week before his reversal Bush said:

"I oppose raising the minimum wage because it would hurt, not help, low-income workers. By raising the minimum wage, government would raise the costs for a business to hire a new worker. This would increase unemployment, and it would deprive many teen-agers of the opportunity to learn the job skills they need."

# IFMA makes '89 projections

(Continued from page 1)
Forecast.

That compares with the 1.1 percent projected for 1988 and the 5 percent posted for 1987, according to the data, which were compiled for IFMA by Technomic Inc., a Chicago research house.

Sales within the largest restaurant category—a segment that encompasses most eating places except bars, fast-food outlets, and cafeterias—will decline 0.5 percent in 1989 after dropping a full percentage point in 1988, Technomic staffers said.

Negative real growth means that a recession has already hit that market, which, according to IFMA, accounts for roughly one-fourth of all food-service sales.

"We wish we could stand up here and say we're seeing a rebound, but that's not the case," Robert Goldin, a Technomic senior principal, said in releasing the IFMA data here to an audience of food-service suppliers and journalists. "There's going to be more of a drop-off."

"You have to recognize that the good ol' days are gone, and they're not coming back," said Ron Paul, Technomic's president.

Members of his staff projected that the industry's sales will inch upward in real terms by only 1.5 percent this year, after increasing by 3.4 percent in 1987.

Technomic based its forecasts on estimates of how much food will be sold by distributors to various types of eating places in 1989. The numbers indicate that:

- The college-feeding market will also experience negative real growth in 1989, with sales likely to decline by 1 percent.
- Hotels, motels, and resorts will sell about as much food in 1989 as they did this year. The flatness actually marks an improvement from past years, when sales had declined by as much as 2.7 percent.
- Cafeterias and drinking places that serve food will take in only 1 percent more in food-service sales than they did in 1988.
- Sales of all commercial food-service facilities will grow by 1.1 percent, while non-commercial outlets—employee-feeding operations and other places that are not expected to turn a profit—will boost their sales by 1.3 percent.

"For the first time, we're seeing non-commercial [places] outpace commercial [ones]," Goldin said.

Among the segments expected to fuel growth in the commercial sector next year is the convenience-store market, with Technomic predicting a sales increase of 4 percent, compared with a projected 1988 rise of 3 percent.

But even within that arena, the bloom appears to be off the rose. The sales increase forecast for 1989 pales in comparison with the 5.7-percent rise recorded in 1987 and the 7.1-percent jump posted in 1986.

"A number of the major [convenience-store] chains have had very flat food-service sales," Goldin reported.

Fast-food restaurants—convenience stores' major competition—also appear to be losing steam.

"Traditionally, fast food has been among the fastest-growing segments," noted Ralph Rush, Technomic senior consultant. Yet, he indicated, the quick-service sector's real sales will increase by only 2.5 percent in 1989, compared with the 3.5-percent upswing recorded in 1988 and the 4-percent spurt registered during the prior year.

"We expect to see a scaling back of unit expansion," he said.

The Technomic personnel provided few reasons for the food-service industry's downturn.

"It's a very mature business," Goldin suggested. "It's overbuilt."

The staffers agreed with attendees who commented during question-and-answer periods that the explanations sometimes seemed to contradict one another.

*'Traditionally, fast food has been among the fastest-growing segments,' noted Ralph Rush, Technomic senior consultant. Yet, he indicated, the quick-service sector's real sales will increase by only 2.5 percent in 1989, compared with the 3.5-percent upswing recorded in 1988 and the 4-percent spurt registered during the prior year.*

For instance, Goldin said at one point that "independents seem to be doing well." Yet the statistical classification into which those places fall—a category that the government and Technomic define as "restaurants and lunch rooms"—is the only commercial segment that will experience negative growth next year, according to the forecast.

In explaining why that broad market will fare poorly in 1989, Paul observed that "the drive for convenience is putting more players into the fast-food business, and that is taking away from midpriced places."

Yet, as some attendees noted during lunch, Technomic has forecasted that fast-food sales growth will slow during 1989.

"I wish we could be more optimistic about the coming year," Goldin said in concluding a segment-by-segment examination of the prospects for food service. "But in fact, it will be a slow-growth year. The industry is in the doldrums. There are opportunities to grow in this environment, but it's going to take more work, more homework."

# Sweepstakes scam at Taco Bell

(Continued from page 1)
alleged that C&K pocketed the money.

It also charged that Curtin and Kissane contrived that Jerome S. Baratta, a car dealer in New Jersey and a relative of Kissane, would win the second prize of $25,000. Again, it was alleged that Baratta was only a "paper winner." Curtin's brother, Kim John Curtin, was also named.

All five were similarly charged with rigging a promotion for Alpha Beta supermarkets.

Neither Taco Bell nor Alpha Beta was charged with any wrongdoing. Indeed, federal investigators noted they helped uncover the scheme and cooperated in the investigation.

"Taco Bell was victimized," said Lisa Holler, a spokeswoman for Taco Bell.

She said Taco Bell first became suspicious of an irregularity when one of its district managers had trouble in locating a winner. The chain subsequently noticed that several winners' names, provided by C&K, were misspelled.

"Suspicions led to an investigation by our own staff," Holler said. "We talked to the wife of our $28,500 winner, and she knew nothing of her husband's winning. We continued to dig deeper."

At Taco Bell's prodding, C&K at one point provided information from a CPA firm that showed the contest to be legitimate, Holler said. But she noted that Taco Bell learned that a relative of a C&K executive, who has since resigned, was with the accounting firm.

*Stanley N. Lupkin said the defendants 'have done nothing criminally wrong and look forward to their vindication after the trial.' He said the company has been in business at least 10 years and until now had 'no blemish on its record.'*

Stanley N. Lupkin, an attorney representing one of the C&K executives, said the defendants "have done nothing criminally wrong and look forward to their vindication after the trial." He said the company has been in business at least 10 years and until now had "no blemish on its record."

Lupkin said C&K has worked for a number of retail clients, including restaurants. He said it has done a substantial amount of work for Pepsico, including not only its Taco Bell subsidiary but Burger King as well. Burger King would not comment on its relationship with C&K.

Holler said that Taco Bell has run three game promotions in the last five years, including the "Wheels, Reels and Meals" sweepstakes, and that it is not very interested in such projects anymore. "Our sales results indicate we're more successful with focusing on products and quality rather than toys and trinkets," she said. "But if something does come up, we'll certainly be more cautious."

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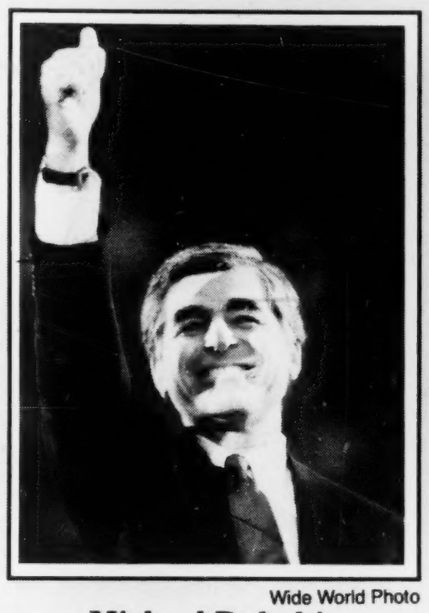
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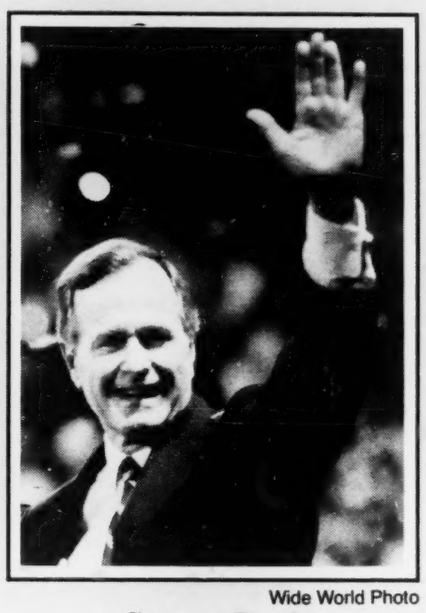
Michael Dukakis


Wide World Photo
George Bush

# Duke vs. Bush

## *Operators face tough choice at polls*

**By Ken Rankin**

WASHINGTON — After eight years under Reagan, many restaurateurs are again considering a change.

But is Massachusetts Gov. Michael Dukakis just a warmed-over President Carter? And will Vice President George Bush be any better for the food-service industry than his predecessor?

A look at their records and policies suggests food-service voters face a hard choice next month at the polls. In addition, political issues are expected to be a key topic at NRN's Multi-Unit Food Service Operators conference here this week.

When the Republicans swept into power during the 1980 Reagan landslide, many in the food-service industry welcomed the change. After four years in control of the White House, Jimmy Carter and the Democrats had managed to sour the economy, drive up restaurant payroll costs, and limit hopes for growth of expansion-minded food-service operators.

Inflation and unemployment were both running in the double digits, prohibitive interest rates put the cost of investment capital out of the reach of most businesses, chronic gasoline

*(See **BUSH OR DUKAKIS**, page F9)*

★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

# *1,000 execs meet at MUFSO to talk business, politics*

**By Charles Bernstein**

WASHINGTON — More than 1,000 food-service chain and supplier executives descend on Washington this week for Nation's Restaurant News' 29th annual Multi-Unit Food Service Operators (MUFSO) conference, a three-day conclave featuring two senators, a governor, a leading network television anchorman, and a wide array of 80 industry headline speakers and panelists.

**MUFSO '88 meets in D.C.**
NRN meeting honors industry's finest.
**Focus section**
**Who's to blame for min. wage hike**
Dateline Washington
**Page F4**

The Washington Hilton Hotel is the setting, not far from the Capitol Hill minimum-wage and other legislative struggles and in the midst of hard-fought presidential and congressional election campaigns.

Kicking things off is Tom Brokaw, NBC-TV News anchorman who has

*(See **MUFSO**, page 201)*

# REGI, Riese ink deal on Houlihan's

## *Frees REGI for new expansion in West*

**By Bill Carlino**

IRVINE, Calif. — Shifting focus to Western expansion of its core restaurant concepts, Restaurant Enterprises Group Inc., based here, is selling the bulk of its Gilbert/Robinson division to the New York-based Riese Organization.

Riese, which confirmed it would pay between $200 million and $250 million for 56 Houlihan's, 11 Darryl's, and 40 other restaurants, gains a foothold in the national casual-dining market.

The deal comes on the heels of Restaurant Enterprise's recent sale of 16 units to four executive board members of Gilbert/Robinson: founder Paul Robinson; Richard May, president of the G/R specialty restaurant division; Judy Williams, vice president of operations; and chief financial officer Marvin Clark.

Both moves allow the company to repay some of the debt incurred in 1986 in a $537 million leveraged buyout of 690 restaurants from W.R. Grace & Co. Restaurant Enterprises grossed more than $1.2 billion in 1987.

"We were proceeding along on a

*(See **REGI**, page 201)*

# US probe hits food-service 'sweatshops'

**By Rajan Chaudhry**

WASHINGTON — A new investigative report by the non-partisan General Accounting Office assails the food-service industry for chronic wage, child labor, safety, and health violations.

The report, "Sweatshops in the U.S.," surveyed more than 100 federal and state officials about industries in which they believed sweatshops—businesses that regularly violate both safety or health and wage or child labor laws — are acute problems.

"What we found was that the restaurant industry was most frequently cited as the one in which officials felt there was a serious problem," said Carlotta J. Young, group director for the Human Resources Division of the GAO, which was responsible for the report.

"We also found that the problem was pretty much throughout the country; there were just some segments of the Southwest and Alaska and Hawaii that were not cited by the federal officials we talked with."

Mark Gorman, National Restaurant Association senior director of government af-

*(See **GAO**, page 201)*

**FOOD WATCH**

## *Blue mood*

Fall is blueberry season, so blueberry tarts, pies, and sorbets are popping up on menus.

But bar manager Al DeWinter has added a new twist to blueberries by creating a line of $4-to-$5, aviation-themed specialty drinks around them at the new Atomic Cafe in Manhattan.

DeWinter's list includes the Blue Angel, with fresh blueberries, blueberry schnapps, vodka, cranberry juice, and a dash of lemon juice. The Flying Tiger is made of blueberry schnapps, vodka, orange juice, blue curaçao for color, and a hint of lemon juice. The Wingjammer has blueberry schnapps, vodka, blue curaçao (again for color), pineapple juice, and fresh blueberries. And the F-14 is blueberry schnapps and Champagne served as a royale with fresh blueberries as a dress.

The drinks are served over ice or frozen and garnished with keepsake plastic toy airplanes. **— Ken Frydman**

BERNSTEIN: NO EXCUSES, SEEK OPPORTUNITIES — F3

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Vol. 22, No. 40 October 3, 1988

# NEWS DIGEST

## Coniston asks TW Services to discuss possible merger

NEW YORK — Coniston Partners, one of the nation's mightiest corporate raiders, has advised TW Services, parent of Denny's and Canteen Corp., that it would like to meet with management to discuss the possibility of a friendly takeover.

TW has yet to respond. However, several days beforehand, the company adopted a series of anti-takeover measures, signaling an unwillingness to be acquired.

Coniston's invitation to TW's management ended one of the more perplexing mysteries to arise on Wall Street in recent months. Investors had been trying to guess what investor had secretly purchased a 19-percent stake in TW.

Coniston disclosed that it was the buyer at the same time it asked to meet with TW.

## Republicans thwart Dems in minimum-wage battle

WASHINGTON — In an escalation of the minimum-wage battle, Republican senators narrowly defeated a measure that might have allowed Democratic opponents to replace the so-called subminimum wage provision with a measure less palatable to restaurateurs.

In its current form, the subminimum wage proposal would allow businesses to pay workers only 80 percent of the hourly minimum wage during their first 90 days on the payroll. The Democrats are seeking to replace that measure with a more restrictive schedule whereby employers could pay full-time students 85 percent of the wage floor if they work less than 20 hours per week.

Democrats have been unable to bring their counterproposal to a vote — a vote many believe the Democrats would win — because of their opponents' ongoing filibuster. The Republicans are attempting to thwart their opponents by defeating proposals to end the filibuster.

## Horn & Hardart replaces Florescue as chairman

NEW YORK — Barry Florescue, whose tenure as Horn & Hardart chairman was marked by a decline in the performance of the company's restaurant holdings, has been replaced by former vice chairman Donald Schupak.

Horn & Hardart said it would give Florescue $4 million to retire his employment contract, which was to remain in effect for the next five years. In addition, the company said it paid $2 million for an option to buy Florescue's 1.3 million Horn & Hardart shares.

During Florescue's time as chairman, the Bojangles' Chicken & Biscuits fast-food chain slid into a steep financial decline, forcing Horn & Hardart to sell the 187-unit system for $20 million to a franchisee.

## Ramada agrees to discuss buyout with Pritzker clan

PHOENIX, Ariz. — The top management of Ramada Inc., operator of the Ramada hotel and Marie Callender's restaurant chains, has agreed to meet with the head of Chicago's Pritzker family after rejecting the clan's $371 million takeover bid.

Ramada dismissed the Pritzkers' first bid as "grossly inadequate and unfair."

The Pritzkers already own 7.2 percent of Ramada's common shares.

## Restaurateurs facing hike in credit-card commissions

CHICAGO — The commissions that restaurateurs pay for credit-card transactions are expected to rise sharply in 1989 as both MasterCard and Visa raise their processing fees.

The credit-card networks are actually increasing the fees paid by the banks that issue charge plates to consumers. But the increase is expected to be passed on to merchants.

MasterCard is scheduled to raise its fees by as much as 16 percent in January. Visa said that it would increase charges in April.

## Associated mulls new deals after Nesbitt backs out

BEVERLY HILLS, Calif. — After being spurned by one suitor, Associated Hosts, operator of the Bombay Bicycle Club dinner-house chain, said it is meeting with several parties "interested in pursuing transactions involving the company."

Associated chairman Joseph Bulasky had agreed to sell a 35-percent stake in the company to Patrick Nesbitt, a local real-estate developer. Nesbitt had indicated in government filings that he might pursue a takeover of the restaurant operator.

But Nesbitt recently informed Associated that he would not exercise his option to purchase Bulasky's stake. No reason was given.

## McFaddin stockholder gains rights to controlling stake

HOUSTON — A disgruntled shareholder of McFaddin Ventures, an operator of casual-themed restaurants and bars, has obtained an option to buy 52 percent of the company's stock from president and founder Lance McFaddin.

The stockholder "prefers not to be identified," a McFaddin Ventures spokesman said.

Lance McFaddin granted the option in an out-of-court settlement of a lawsuit filed against McFaddin Ventures and its officers by a shareholders group. Among the plaintiffs were football star Walter Payton and Hattiesburg, Miss.-based businessman Paul H. Holmes.

The suit, which sought $50 million in damages, alleged that McFaddin Ventures "wasted and misused corporate assets" in part by paying excessive salaries and granting attractive stock options to executives.

## Judge slates pretrial physical for Helmsley

NEW YORK — A federal judge said he would appoint a physician to assess the mental and physical stamina of hotel and real-estate mogul Harry Helmsley before the 79-year-old billionaire is tried for fraud and tax evasion.

Helmsley's attorneys have asserted the trial too rigorous for their frail client.

Helmsley and Leona, his 68-year-old wife, have been charged with 47 counts of fraud and tax evasion. The couple, who own and operate the Helmsley and Harley hotel groups, allegedly bilked former partners and the Internal Revenue Service by charging the $3.6 million spent on the couple's Connecticut mansion to their hotel and real-estate businesses.

## Circle K abandons limits on health-care benefits

PHOENIX, Ariz. — The Circle K convenience-store chain said it has dropped plans to deny health-care benefits to employees with ailments caused by alcohol abuse, drug addiction, or sexually contracted AIDS.

Circle K implemented the limitations on Jan. 1 but suspended them in August after strong objections were lodged by civil-rights advocates, groups representing AIDS victims, and benefits managers. The chain said at the time that it would study the matter.

The curtailments were scuttled because of "the widespread misunderstanding of the intent," Circle K said.

## McD says Olympics may not be a winner

LOS ANGELES — The Seoul games could mark McDonald's swan song as a major sponsor of the U.S. Olympic team, the fast-food giant's marketing chief told a local reporter.

Chief marketing officer Paul Schrage said the fast-food giant was uncertain that the payback justifies the high cost of sponsorship. He also told the Los Angeles Times that the U.S. Olympic Committee's "attitude" toward benefactors had changed since 1984.

The Olympics have played a key role in McDonald's marketing schedule this year. The burger chain paid more than $15 million for rights to call itself an Olympic sponsor.

# Family restaurants prove diners' favorite

## *NRN polls consumer eating-out habits*

**By Peter J. Romeo**

Although family restaurant operators are singing the blues about declining customer traffic, the segment is nevertheless attracting more patrons than is any other type of eating place, according to a Nation's Restaurant News/Gallup survey.

Of 1,000 consumers contacted in a telephone poll, 31 percent said they chose a family restaurant when they last dined out.

In comparison, 23 percent said they had opted for a white-tablecloth restaurant, 20 percent reported visiting an ethnic restaurant, and 16 percent indicated that they had frequented a fast-food outlet.

Only 3 percent cited a seafood house as the scene of their most recent restaurant meal.

The survey was conducted at the tail end of a summer in which pollution-related beach closings roused consumer concerns about the safety of eating fish. It is impossible to determine from the poll if that apprehension was a reason for the reported low traffic at seafood restaurants.

Coming at what is regarded as a beleaguered time for family restaurants, the study seems to support the contention of many players that the segment is suffering more from an oversupply of restaurants than from a dearth of customers.

The typical unit of a major family restaurant chain will garner slightly more than $1 million in sales this year, or only 2.9 percent more than it took in during 1987, according to NRN research conducted before the summer.

*Only 3 percent cited a seafood house as the scene of their most recent restaurant meal.*

The slight rise, coupled with the National Restaurant Association's projected annual inflationary rate of 4.2 percent, indicates that the average chain-affiliated family restaurant is suffering about a 1.2 percent decline in customer counts.

The NRN/Gallup poll portrays the typical family restaurant customer as a white, married, middle-class, high-school graduate who spends an average of $7 to $10 per visit. The household income of the average patron falls between $25,000 and $75,000, and he is as likely to hold a white-collar job as a blue-collar position.

Among the 315 survey respondents who said they ate at a family restaurant the last time they ate out, 34 percent were between 18 and 34. Thirty-two percent fell within the 35-to-54 bracket, and 34 percent were 55 or older.

Only 26 percent of the unmarried survey respondents said they had their most recent away-from-home meal in a family restaurant. In contrast, 36 percent of the married participants said they frequented one on their last dining outing.

It is not surprising that 68 percent of the respondents who cited a family restaurant were married. Fifteen percent were single, 9 percent were widowed, and 7 percent were divorced.

The poll did not unearth any correlation between geography and respondents' propensity for eating in a family restaurant. Respondents were categorized as residing in one of four regions: Northeast, West, South Central, and North Central. Roughly one-third of each group mentioned a family-oriented place as the site of their most recent restaurant meal.

In contrast, persons living in the Northeast or West were more likely to name an ethnic place than were their peers from the other two regions.

The survey was conducted exclusively for NRN by Gallup Research, a Lincoln, Neb.-based research house. The company also supplies NRN with a month-by-month measure of consumers' awareness of fast-food advertising.

**WHO ATE WHERE: RESTAURANT CHOICES BY VARIOUS DEMOGRAPHIC GROUPS**

| | Group Percentage who chose: | | | |
|---|---|---|---|---|
| | Fam. rests. | Fancy rests. | Ethnic rests. | Fast-food rests. |
| All respondents | 31% | 23% | 20% | 16% |
| Males | 27 | 25 | 23 | 16 |
| Females | 35 | 21 | 19 | 15 |
| Married persons | 35 | 24 | 18 | 14 |
| Unmarried persons | 26 | 20 | 25 | 18 |
| Persons with Income of: | | | | |
| Under $10,000 | 27 | 16 | 22 | 22 |
| $10,000-19,999 | 35 | 21 | 19 | 20 |
| $20,000-39,999 | 36 | 19 | 19 | 16 |
| $40,000-59,999 | 25 | 34 | 19 | 14 |
| $60,000-74,999 | 20 | 33 | 27 | 6 |
| $75,000-99,999 | 22 | 33 | 30 | NA |
| $100,000+ | 37 | 30 | 26 | 4 |
| Persons aged: | | | | |
| 18-24 | 22 | 19 | 27 | 25 |
| 25-34 | 31 | 21 | 22 | 18 |
| 35-44 | 35 | 18 | 21 | 15 |
| 45-54 | 27 | 29 | 21 | 13 |
| 55-64 | 40 | 28 | 14 | 8 |
| 65+ | 34 | 23 | 17 | 14 |

Source: NRN/SRI telephone poll of 1,000 consumers

# Huston takes over as Pizza Hut's 'fortune teller'

## *Klepper assumes top financial officer spot*

Huston

**By Peter J. Romeo**

WICHITA, Kan. — Pizza Hut has formalized the job of foretelling the future and assigned it to a high-level executive whose expertise is in measuring the recent past.

In what the world's largest pizza maker has called a strategic realignment, Allan Huston has been shifted from chief financial officer to senior vice president of development, with overall responsibility for the 5,700-unit chain's growth.

Usually that assignment means hunting for new restaurant sites, pursuing franchise opportunities, and perhaps choreographing an acquisition or two. But for Huston, the job also entails gazing into the pizza segment's future to see where Pizza Hut should move today to compete effectively far in the future.

"Allan's bailiwick is, What's next?" explained a Pizza Hut spokesman. "That could mean developing futuristic operations that will keep us competitive. Or maybe developing a new concept entirely different from our current red-roof restaurants and delivery outlets.

"Or it could mean something nearer term, like focusing on the express units we're currently doing. It means looking at anything that will help us put more pizza in people's mouths."

Pizza Hut has labeled that component of Huston's newly created post as "operations development."

More mundane responsibilities will include overseeing Pizza Hut's purchasing and management information services.

Previously, as senior vice president of finance and new business development, Huston was the chain's chief "numbers man," with responsibility for tracking the chain's sales performance.

A former understudy, Bill Klepper, has succeeded Huston as Pizza Hut's top financial officer. Klepper will retain the title of vice president of finance.

Klepper

Huston joined Pizza Hut in 1985 after serving in a number of management positions with the chain's parent company, Pepsico Inc.

The conglomerate also owns Kentucky Fried Chicken and Taco Bell.

Klepper, who joined Pizza Hut last year, is also a veteran of other Pepsico operations.

# Marriott picks up Levy job at Illinois Center building

**By Carolyn Walkup**

CHICAGO — Marriott Corp.'s Business Food Services Division has succeeded the Levy Restaurants as manager of the Great State Fare, a 900-seat food court in the downtown State of Illinois Center government office building.

Levy developed the multistation fast-food court three years ago for The Palmer Group, the building's developer. Last year gross receipts totaled $3.2 million from a volume of about 6,000 breakfasts, lunches, and snacks daily Mondays through Fridays.

"We wanted to move onto other things that would give us a little more action right now," said Mark Levy, adding that the parting was amicable. "Our business was good, but not great. It was very respectable.

"We thought we could spend our energies more productively."

Levy expressed disappointment with governmental delays in opening underground tunnels connecting the building with City Hall and the Daley Civic Center. That underground network would add greatly to food court traffic during the winters, he said.

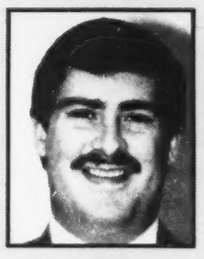
Ann Marie Crowley, a Palmer Group representative, said the developer and Levy Restaurants had a "difference in opinion on long-term strategy" and that Marriott is more interested in starting on-site catering. She concurred that the decision to change management was friendly.

Among the Levys' new projects are a full-service restaurant in the mall adjoining Chicago's first Bloomingdale's department store on North Michigan Avenue and two restaurants scheduled to open this winter in the Pleasure Island portion of Walt Disney World.

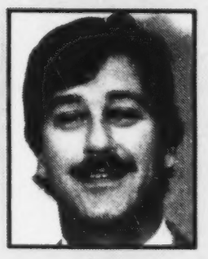
# *NRN makes newsroom changes*

NEW YORK — Nation's Restaurant News, the weekly newspaper of the foodservice industry, has named two new high-ranking editors.

Rick Van Warner, a Nation's Restaurant News senior editor, has been named news editor, responsible for the activities of the writing staff.



Van Warner



Migdal

In addition, Dave Migdal, formerly a writer and copy editor at a San Antonio, Texas, newspaper, has been named senior desk editor, in charge of the Nation's Restaurant News copy desk.

Van Warner, who joined Nation's Restaurant News in July 1986, was most recently in charge of financial news. Previously, he wrote the newspaper's equipment column.

As news editor, he is responsible for overseeing the day-to-day operations of NRN's staff of writers in New York and at bureaus in Washington, D.C.; Los Angeles; Chicago; San Francisco; and Atlanta.

Before joining Nation's Restaurant News, Migdal worked for more than four years in the sports department of the San Antonio Light and before that at newspapers in Denver and Rawlins and Greybull, Wyo.

As senior desk editor, he oversees the NRN copy desk, which is the newsroom department that does the final editing on all articles, selects photographs, designs pages, writes headlines and captions, and meets printing schedules.

The appointments follow the planned departure of Tracey Taylor Woodard, who is resigning as news editor to pursue personal interests.

Both Van Warner and Migdal report to executive editor Rick Telberg, who reports to chief editor Charles Bernstein.

# FOCUS | VIEWPOINT

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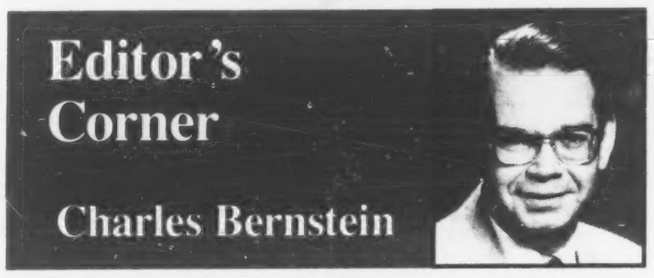
# Eschew the excuses, seek opportunities

The long, hot summer was particularly harsh on restaurateurs and their traffic counts. Whether part of a trend caused by the greenhouse effect or just a fluke, the heat wave has had unfortunate consequences.

Even now, when things have cooled off, restaurants still seem to be in a slump. The continued dip is being blamed on everything from polluted waters off the East Coast and the resultant seafood scare to consumer uncertainty about the economic future. The government and its oppressive regulations also come in for a share of the blame — and deservedly so.




Some people contend that the inauguration of a new president Jan. 20 portends a real improvement in the restaurant climate, but everyone will just have to suffer in peace until then.

The moaning and groaning seem universal throughout much of the country. In the Chicago area, where unprecedented high temperatures occurred this summer, restaurateurs said that they were suffering and that take-out and home delivery were prospering as customers stayed home in air-conditioned comfort. (Couldn't these same customers also have enjoyed air-conditioned restaurants?)

In Los Angeles, which only heated up in September and actually enjoyed a relatively cool summer, declines in restaurant sales nevertheless were tied to "summer heat and people being away on vacation."

In New York the story was much the same with restaurateurs attributing falloffs to scorching weather. And in Washington not only the heat but also the election campaign, which has congressmen and officials campaigning around the country, were denounced for flat sales.

In Texas bank failures have struck a number of cities, putting a crimp in the economy and in restaurant profits. But the oil industry, so hard-hit for the past few years, is making a comeback.

The explanations have a ring of validity. But blaming a sales slump on hot summer weather doesn't make any more sense than previous efforts to link winter sales drops to bitter-cold weather.

Excuses abound when problems arise. But the key to successful managing is to look within to boost business rather than pinning declines on external factors.

The one development that has sent customer counts tumbling is saturation in almost every segment. This is a continuing dilemma, but no easy solution is at hand.

Anyone is free to open a restaurant (and to close it just as fast) in a free-enterprise system. Anyone can copy a concept and duplicate it almost to the last detail without being able to grasp the feel of it or the inner workings.

Let's stop griping about the things that we can't control; this just provides an excuse for not remedying the situation. The weather is cooler now and probably even pleasant in most cases, and yet restaurants still are experiencing flat or down sales.

The consumer today is far more fickle and selective than in the past, flitting capriciously from one restaurant to another. Since it is so difficult to attract streams of new patrons in the saturated restaurant environment, operators must find ways of wooing back the ever-elusive customer again and again.

Food-service employees can sense when management is down in the dumps. To gain momentum and climb to the top, it is necessary to focus on strengthening key areas—boosting customer loyalty and repeat business, training employees and building morale, weaving new items selectively into the menu, carving out an individual niche, and emphasizing intensive marketing and promotion.

It is time to forget about the weather, the economy, and the saturation and to focus on improving the situation—as successful food-service operators have done and will continue to do. Not even the government can be blamed for sales woes.

No matter how hostile the environment may seem, it is time to decisively and optimistically boost traffic.

## *LETTERS*

### *Couponing must be done carefully for fine dining*

Editor, NRN:

Mass couponing is one of the biggest marketing problems facing restaurants today. So, when I read Mr. Davis' response, "Coupons: a vehicle to encourage patrons — if used correctly," Aug. 29, to your June 13 article, "Fine-dining coupons flop," I had to respond to set the record straight.

Davis is wrong. His big advice was to "go with an exclusive direct mailer" instead of a package. Later he goes on to say that "coupons won't hurt you" if you have dealings with a certain direct mail firm. Nonsense.

Mass media marketing, aside from being a big expense, brings with it a major problem: loss of your regular price credibility. Once you start advertising coupons on a daily basis, you condition your customers to expect a deal every time.

Especially with a fine-dining restaurant, you have to take an even closer look at your target audience. Customers that frequent a fine dining restaurant are more likely to feel awkward than to feel cheap when they use a coupon. The customers that do use coupons are probably just coupon clippers and would not return again to play the regular price.

But if you used some "street smarts," you can distribute a "certificate" to "fine-dining" type customers structured in such a way that they're more likely to respond.

For example, a certificate can have "compliments of" along with the merchant's logo and manager's name. And the restaurant can still maintain its credibility.

I challenge Davis and his Shoppers Guide to provide that kind of service to the fine-dining establishments in that area.

**Jeff Slutsky**
*president*
Retail Marketing Institute
Columbus, Ohio

### *NRA, to do best job, must have support of everyone*

Editor, NRN:

In your Aug. 29 issue, you printed a letter from an independent restaurateur criticizing the National Restaurant Association for representing both the fast-food and independent operators.

It is true that, by charter, the association represents all aspects of the for-profit food-service industry. Consequently, the association addresses a broad range of issues. Rarely does any issue create conflict between or among different segments.

Most issues affect the entire industry — that is, mandated benefits, Food and Drug Administration regulations, labor relations, and so on. In cases in which one segment is more seriously affected by a given issue, it is usually insignificant or "neutral" in relation to the unaffected segments.

But the association would have difficulty winning any issue if it did not represent the whole industry. In Washington, D.C., big industries with large voter constituencies are the major players. Those that are fractured do not command the attention of legislators and regulators.

It is only by acting together that we can successfully defend the best business interests of the total industry.

**Jim L. Peterson**
*president*
*National* Restaurant Association

### *Check the full record: the NRA does a good job*

Editor, NRN:

I strongly disagree with Charles Sarkis' assertion in a letter to the editor published Aug. 29. He said the National Restaurant Association cannot serve the legislative needs of both the full-service and fast-food restaurants.

The record is clear. The National Restaurant Board and Government Relations staff have waged equally effective campaigns against non-deductibility of business meals and the minimum wage.

The same is true for each ill-founded government initiative that might adversely affect our industry — be it tax on FICA, tip reporting, or mandated health benefits. I have never found any evidence to suggest otherwise.

In fact, the ability of the industry to rally together regardless of which segment is under siege is one of the great strengths of the association.

I speak from personal experience. Our company has both full service (Chili's) and fast-food (Dunkin' Donuts) restaurants.

We feel the NRA represents the interest of both evenhandedly and effectively.

**Robert M. Rosenberg**
*chairman of the board*
Dunkin' Donuts Inc.
Randolph, Mass.

# FOCUS | WILDFIRES

# Cooke City wonders: Will tourism survive?

*Residents of this community that borders Yellowstone's northeast entrance have done scarce business since the fires began—and are afraid tourism will never recover.*

**By Alan Liddle**

COOKE CITY, Mont. — Though it will take decades, Yellowstone National Park should rise Phoenix-like, with richer and more varied vegetation, from the ashes of fires that have plagued the park and surrounding lands since June, biologists say.

But such long-range forecasts mean little to the restaurateurs of tiny, tourist-driven Cooke City at the park's northeastern entrance, most of whom say they will make little or no profit in 1988.

Pressed by business-related debts and the need to generate income, Cooke City restaurateurs and their counterparts in other communities near the park worry about the short term. What will the scorching of nearly half of Yellowstone mean to tourism in the next few years? they wonder.

"Chances are there will be enough business [in 1989] from the curious," Bill Humiston, speculates owner of the 80-seat Cooke Pass 2nd Edition restaurant. Referring to the barren topography left by recent firestorms, he adds, "Once they [visitors] see what has happened here—it's like 'moonsville'—it's hard to say how soon they'll be back."

*Referring to the barren topography left by recent firestorms, Cooke Pass 2nd Edition restaurant owner Bill Humiston said, 'Once they [visitors] see what has happened here—it's like 'moonsville'—it's hard to say how soon they'll be back.'*

Patricia Crabb, who, with her husband, Darrell, owns the nearby All Seasons motel and restaurant, agrees.

"We feel that next year the curious will show up, but after that, it [the fires] might have a negative impact on tourism," she says.

Cooke City, with a population that residents say ranges from 50 to 300 during the course of a year, is home to four restaurants: The All Seasons, Bear Tooth Cafe, Cooke Pass 2nd Edition, and Ma Parker's.

Crabb, estimating that her business would be off by as much as 30 percent for the year, reflects, "Had this [outbreak of fires] not occurred, it would have been a good season." As it turned out, she explains, "tourism here ended about July 28," or a full two months before the traditional close of a business season that stretches from five to nine months, depending on the operator.

In addition to the financial hardships caused by plummeting visitor counts, Cooke City restaurateurs have also faced personal trauma in recent weeks: They and other residents were twice ordered out of town by authorities in early September as flames from the Storm Creek Fire loomed dangerously close. A few of the area's summer homes and outbuildings were destroyed on those occasions, but no lives or businesses were lost.

With such a gloomy pall hanging over Cooke City, one might expect the local pub business to be booming. That is not so, says Mort Morton, who volunteers that he is the owner of the Elkhorn Bar, Elkhorn Lodge, and Ma Parker's restaurant but "no relation of the [Morton] Salt people."

"It's been mediocre, nothing to brag about," Morton says of his saloon sales. "About the only thing doing well is our [coin-op] laundry," he adds, explaining that many of the 800 firefighters in the area were flocking in to clean their soiled duds.

Also picking up some business from firefighters were the Crabbs, who defied evacuation orders to keep their All Seasons open. They won the patronage of some news crews as well, but their achievements proved bittersweet.

"The rooms are full, but these people are eating breakfast and going out for the entire day. And helicopter [firefighting] teams and reporters don't buy gifts," Patricia Crabb says, referring to lost lunch covers and missed high-margin giftshop sales.

Because most of the All-Seasons' college-age employees were ordered home to their respective communities by worried parents, responsibility for running the motel and restaurant eventually fell squarely onto the shoulders of the Crabbs and their one remaining staffer. The shortage of help led to a change in operations.

"We can't sell [à la carte] steak and seafood; we have to serve buffets at half the price," Patricia Crabb says.

At one point, after reflecting on her immediate situation for a moment, she confesses: "When you consider everything, it's not bad: the money coming in compared to payroll [and other costs]."

However, it isn't long before the 46-year-old hotelier-restaurateur pipes up in a weary voice, "But [then again,] I've been doing this—making beds, cleaning, cooking, and serving for a week now. And I'm starting to run out of energy."

Crabb says she and her husband just kept working because, "We know we have to get this [business] while we can to hold us over."

Cooke Pass 2nd Edition owner Humiston indicates that he and his wife, Joan, also will be making sacrifices to get through the slow months ahead.

"We'll just have to go find work for the winter to tide us over," he explains. "We'll probably go cook in some other cafe, or I'll go do laborer-work somewhere."

## BREAKDOWN OF 1987 GROSS RECEIPTS BY COMPANY

| | |
|---|---|
| The Caterers, Las Vegas, Nev. | $3.75 million |
| Bishop Services, Goldendale, Wash. | $3.6 million |
| O.K.'s Co., Seattle, Wash. | $2.74 million |
| Nu Way Catering, Lander, Wyo. | $1.57 million |
| Stewart's Catering, Lakeview, Ore. | $1.1 million |
| Nooner Food Service, Bakersfield, Calif. | $972,000 |
| Big Sky Catering, Missoula, Mont. | $623,000 |
| Black Hills Catering, Rapid City, S.D. | $554,000 |
| Henry Daniel's Catering, Denver, Colo. | $365,000 |
| Western Catering, Arco, Idaho | $313,000 |
| Dale Banks Catering, Las Vegas, Nev. | $306,000 |
| Houston's Trails End, Kanab, Utah | $244,000 |

*These figures refer only to monies received in accordance with national catering contracts between the following companies and the Boise Interagency Fire Center (B.I.F.C.), Boise, Idaho. The figures include revenue from mileage stipends as well as compensation for catering servcies.

Source: Richard Denker, B.I.F.C. contracting officer.

# *Fire camp caterers do best when nature is at its worst*

**By Alan Liddle**

BOISE, Idaho — Fire camp caterers can take steps to win more assignments, such as warehousing equipment in several states, but the success of their business ultimately depends on the whims of nature and the ability to survive slow years.

As veterans like John Keener of Seattle-based O.K.'s Co. explains things, a catering company might have to turn away business in a year when lightning storms touch off a large number of wildland fires in its area of strength.

However, they say, that same caterer could go a whole season or longer "without turning a wheel" if weather patterns deviate from the norm in a way that reduces the likelihood of fire.

"It can cost from $150,000 to $400,000 just to gear up [for a fire season]," Keener says, "and there are seasons you don't get it back—a number of seasons."

The O.K.'s Co. official says his firm has a "Rainy Years Reserve" to help get through slow seasons. That reserve is funded with up to half of the company's earnings in good years when pretax margins can range from 15 percent to 20 percent of sales, he notes.

Among the nation's highest-volume fire camp caterers are the 12 Western companies that contract with the Boise Interagency Fire Center in Boise, Idaho. Under the current contracts, which expire this year, the caterers are paid from $25.60 to $28.45 per person per day for three meals and an equipment hauling stipend of $7.20 to $8.40 a mile, whenever they work a fire.

But those potentially lucrative contracts come with a price—the large capital investment required to buy and maintain the equipment BIFC wants its caterers to use.

It's the investment in gear such as mobile kitchens capable of feeding 350 people an hour, refrigerated vans, pantry trailers, and water-tanker trucks that make the slow years doubly hard to take, Keener, a BIFC contractor, notes.

Keener estimates he and his partners have a capital investment of about $1.5 million in O.K.'s Co. Because of the high stakes and sporadic workload, he compared fire camp caterers with race track regulars who sit around waiting for long shots.

Some caterers, however, go broke waiting for their long shots to make a move, BIFC contracting officer Richard Denker confirms.

*The O.K.'s Co. official says his firm has a 'Rainy Years Reserve' to help get through the slow seasons. That reserve is funded with up to half of the company's earnings in good years.*

"I'd say we've lost four to five [contractors] in the last three to four years," he says.

BIFC oversees national fire camp catering contracts because its job is to coordinate local, state, and federal agencies when they jointly battle major fires. Its dispatchers call a contract caterer whenever officials at a multijurisdictional fire determine their crews will consume more than 600 meals before the blaze is out.

Denker says his agency has used commercial caterers for 15 years.

"We used to do quite a bit of our own cooking at fires," he recalls. "But we found that we could free up our people to do other things if we brought in people with experience in procurement, cooking, and food handling. We also found we could get a better meal to our firefighters for less money."

10/17/88 C550-5

NEWSPAPER

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# Restaurant News®

*The Weekly Newspaper of the Food-Service Industry*

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# NRA's Peterson vows to double membership for Washington clout

By Charles Bernstein

WASHINGTON — Jim Peterson, 1988-89 National Restaurant Association president, vowed that before the end of his term next May he would enact a full-scale plan to double the National Restaurant Association's membership over the next three years.

"We must do it to have the necessary impact on the government," he declared in a dramatic plea at the NRA's fall board meeting in the Capital Hilton here. "When we go to Washington, we have to be able to represent ourselves as a fully unified industry. The only way we can achieve this is through a much larger membership."

Under Peterson's plan, an all-out drive would ensue to enroll members of state associations as automatic members of the NRA. Ohio and South Carolina have just agreed to this joint membership program, effective in 1989, and six other states with a combined total of 4,530 member companies are already in

*(See **PETERSON**, page 78)*

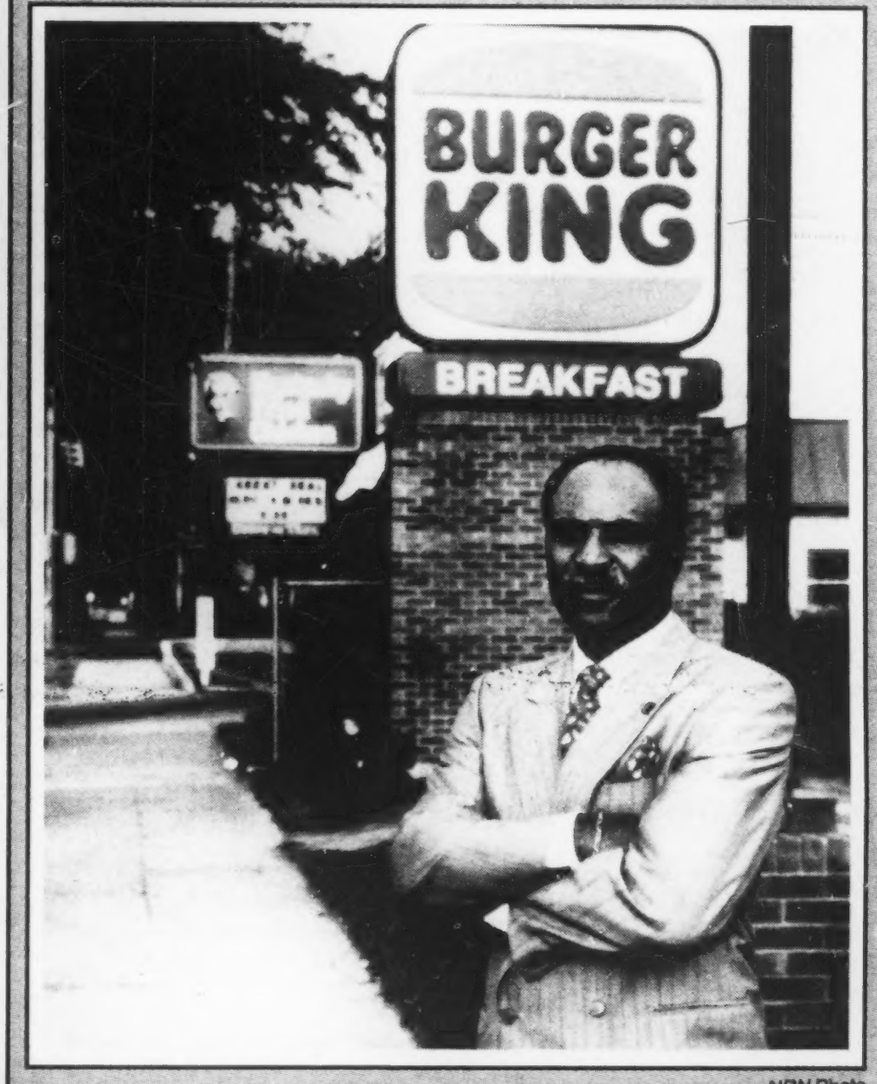
## *Senate filibuster kills '88 wage-hike hopes*

By Ken Rankin

WASHINGTON — The failure of congressional leaders to break a Senate filibuster against a bill raising the federal minimum wage appears to doom prospects for any hike this year, according to food-service industry lobbyists, who have been battling a wage raise for nearly two years.

Although the legislation might still be reintroduced at any time up until Congress adjourns for the election campaign early this month,

*(See **WAGE BILL**, page 78)*




NRN Photo

**Brady Keys Jr. stands next to two of his Detroit franchises.**

## *Keys opens doors for minorities*

By Bill Carlino

DETROIT — When Brady Keys Jr. hung up his jersey after seven seasons in the National Football League, he found the transition from football to fast-food franchisee harder than tackling Jim Brown head-on.

"In 1967 minorities just weren't granted fast-food franchises," said the 50-year-old former defensive back for the Pittsburgh Steelers, Minnesota Vikings, and St. Louis Cardinals. "I was shocked at how tough it was to be taken seriously. I wanted to go into the restaurant business, but I couldn't get financed."

Nearly 22 years later, Keys, the self-proclaimed "godfather of minority franchising," orchestrates a fast-food empire that includes 13 Detroit-based Burger King stores and

*(See **KEYS**, page 4)*

# TW Services tells Coniston 'No deal'

By Peter J. Romeo

NEW YORK — TW Services, a food-service giant with proven skill at eluding takeovers, has pitted itself against one of the nation's wiliest corporate raiders by spurning the acquisition overtures of Coniston Partners.

After stealthily amassing a 19.1-percent stake in TW, Coniston invited its prey's management to meet and discuss the possibility of a merger. It even asked TW's top two executives, chairman Frank Salizzoni and president Jerry Richardson, to participate in a Coniston-led buyout of their employer.

But Salizzoni fired back a curt "no deal."

"In view of the bright op-

*(See **TW SERVICES**, page 78)*

## FOOD WATCH

### *No bull*

What's three-eighths American buffalo and five-eighths domestic cattle?

Beefalo, of course.

Slightly sweeter-tasting, but with less cholesterol and fat and more protein than traditional beef, this hybrid is gaining acceptance on menus.

At The Post House in New York, the carpaccio is made of beefalo, not traditional beef.

And in Tate, Ga., Lavoygie Green opened the Gourmet Beefalo Diner last month.

The 35-seat restaurant sells only barbecue and beefalo burgers ($1.95 or $2.25 for the deluxe burger), which, he says, have only 3 percent fat.

"There's incredible demand for a low-fat meat," Green said.

— Karen Bruno

# NRN's '88 EAT/EAR Award winners named

By Marilyn Alva

MUFSO '88

WASHINGTON, D.C. — Stuart Anderson's Black Angus Restaurants, Ponderosa, and Little Caesars were among the big winners last week in Nation's Restaurant News' third annual Excellence in Advertising on Television — EAT — awards competition for the food-service industry.

And for the first time, best restaurant radio commercials also were given recognition as well in the inaugural Excellence in Advertising on Radio, known as EAR, awards. Mister Donut of America and Sizzler Restaurants were two of the 13 food-service chains that won radio awards in various categories.

The advertising honors, the only ones to specifically recognize outstanding commercials in the food-service industry, were presented at NRN's Multi-Unit Food Service Operators Conference held at the Washington Hilton and Towers. Co-sponsors of the competition were the Television Bureau of Advertis-

*(See **EAT/EAR AWARDS**, page 78)*

CHARLES BERNSTEIN ON THE RIESES: TOO MUCH OF A GOOD THING

BEST AVAILABLE COPY

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# NEWS DIGEST

## Piccadilly inks $33M deal to buy Ralph & Kacoo's

BATON ROUGE, La. — In an attempt to diversify beyond the beleaguered cafeteria segment, Piccadilly Cafeterias Inc. has agreed to buy the Ralph & Kacoo's seafood dinner-house chain for $33 million in cash and the assumption of certain liabilities.

Ralph & Kacoo's operates six gymnasium-sized restaurants with that name in Louisiana and Texas. Current owners Ralph and Catherine Olinde will be retained as consultants, Piccadilly said.

"We'll continue to run it just as it is: same people, same concept, same menu — same everything," said Rodney Garrison, Piccadilly's executive vice president and chief financial officer.

Piccadilly, which is based here, operates 125 cafeterias in 14 Southern states.

## Ramada mulls restructuring as means to thwart Pritzkers

PHOENIX, Ariz. — Ramada Inc. chairman Richard Snell said the hotel and restaurant company might restructure or pursue other "alternative directions" in mid-October to avert a possible takeover by the Pritzker family of Chicago.

Snell's disclosure came two days after he met with Jay Pritzker, who is leading his family in an attempt to buy Ramada. At the session Pritzker reiterated his offer to purchase the hospitality company for $10 per share. He also volunteered to guarantee in the merger agreement that Ramada would be given enough time to pursue more attractive bids.

Snell said he again rejected the proposal, commenting that he saw "no substantive difference" between the new offer and the $10-per-share bid tendered in early September.

## Le Côte Basque's Rachou details plans for a bistro

NEW YORK — Jean Jacques Rachou, chef-owner of the famed Le Côte Basque restaurant here, said he plans to open a bistro called Chez Rachou on the East Side in early November.

The new place is expected to sport a menu of country-style French fare, including such standards as cassoulet and coq au vin.

Le Côte Basque is widely regarded as one of the city's and the nation's top French dining rooms.

## Grand Met sets sale of Inter-Continental

LONDON — In another sale of a major hotel chain to Japanese investors, Grand Metropolitan PLC has agreed to spin off its Inter-Continental lodging group to Saison Group for $2.27 billion in cash.

When Grand Met disclosed the deal, it mentioned that it would probably plow the proceeds into the acquisition of another business. However, the distiller did not indicate what type of company would be hunted.

Saison Group reportedly outbid a number of U.S. companies, including Marriott Corp., the Bass brothers, and a high-powered Chicago hotel investor called VMS Realty Partners.

Recently, Aoki Corp., another Japanese investment giant, acquired the Westin hotel chain. Japanese investments in U.S. real estate have been climbing because of the yen's strength against the dollar.

## Biologists see shortfall of Alaskan king crab

ANCHORAGE, Alaska — A shortage of red king crab here is expected to push prices skyward and send restaurateurs nationwide clawing for crab meat.

Biologists estimate this year's crab harvest will plunge to 7.5 million pounds, 40 percent below last year's 12.3 million pounds.

Earlier in the year biologists, who have no explanation for the decline, projected the supply would increase 20 percent to 30 percent.

## Hardee's licensee hires adviser to assess 'options'

ROCKY MOUNT, N.C. -- Franchise Enterprises, a 126-unit Hardee's licensee here, said it has retained a West Coast financial adviser to investigate several "strategic options," including a possible sale of the company.

Franchise, which is privately owned, stressed that it has not yet been approached with an offer.

The financial adviser is Montgomery Securities, a San Francisco-based brokerage house.

## Wendy's drops foam boxes, switches to paper, foil

DUBLIN, Ohio — Wendy's has replaced its foam-style sandwich containers with paper and foil wrappers to comply with the industry's voluntary abandonment of packaging materials that damage the atmosphere.

The fast-food chain has also stepped in that direction by replacing its coffee cups and disposable plates with new versions that are not made with chlorofluorocarbons, which damage the sun-screening ozone layer of the earth's atmosphere.

The major fast-food operations have agreed that by January they will cease their use of packages that contain CFC.

## Ark opens a French bistro in switch from usual scale

NEW YORK — Ark Restaurants has opened an 80-seat French restaurant called Poiret at 474 Columbus Ave. near 82nd Street.

Poiret features regional dishes and some bistro classics, such as cassoulet, steak frites, and grilled chicken, but executive chef Bill Laylor said the menu is still evolving. Average per-person checks are expected to be about $25.

Poiret represents a departure for Ark, whose other restaurants, including Ernie's, America, and B. Smith's, are much larger and have a lively bar scene. The new place has only a service bar.

## New Jersey assembly eyes tougher non-smoking law

TRENTON, N.J. — A bill introduced into the state legislature here would replace the voluntary no-smoking rules that restaurateurs have been asked to follow since December 1985.

The new regulations would require eating places with more than 40 seats to designate 25 percent of their dining rooms as non-smoking areas.

At present restaurants are only required to post signs stating whether or not a place has a no-smoking area. That law encourages dining outlets with seating for 40 or more people to set aside a quarter of the seats for non-smokers. But operators are not required to oblige.

New Jersey health commissioner Molly J. Coye has indicated that she would prefer even more stringent anti-smoking measures than the bill currently under consideration in the assembly.

## Papa Aldo's adds yogurt to maintain steady sales

PORTLAND, Ore. — Papa Aldo's, the 120-unit take-and-bake pizza chain, has added frozen yogurt to its limited menu in an attempt to smooth out seasonal sales fluctuations.

"The peak season for take-and-bake pizza is December, January, and February, and the slowest period is the summer," explained Dennis Steinman, the regional chain's director of franchising. "The peak season for frozen yogurt is June, July, and August, and the slowest period is December, January, and February."

Franchisees can choose either soft-serve or hard-pack frozen yogurt. They can also offer "mix-in" treats, such as the candies and crumpled cookies that Steve's Ice Cream and other snack specialists blend with their ice cream.

Papa Aldo's signature item is a ready-to-bake pizza that patrons heat and eat at home.

# FOCUS | VIEWPOINT

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# The Rieses: too much of a good thing

The Kansas City-based Gilbert/Robinson empire was once a mighty grouping under founders Paul Robinson and Joseph Gilbert and president Kenneth Hill. After W.R. Grace acquired G/R eight years ago, the empire — sparked by Houlihan's — expanded and still seemed to thrive.

But Robinson, the master designer and concept genius, essentially dropped out of the main picture, and then Hill decided to return to his entrepreneurial origins as president of the then fledgling T.J. Cinnamons chain. That has turned out to be a happy ride for Hill with a rapid expansion to some 300 units.

Hill's departure resulted in a split leadership: Richard May became president of G/R's specialty restaurants division and Frederick Hipp president of G/R's casual dining division (mainly Houlihan's and Darryl's). Then Norman Habermann's Irvine, Calif.-based Restaurant Enterprises Group took over these and other units from Grace in a leveraged buyout of 690 restaurants for $537 million.

Now, to reduce the enormous debt he accumulated for his leveraged buyout group, Habermann is selling off Gilbert/Robinson. Sixteen specialty restaurants are going to a company headed by Richard May and Paul Robinson, while 107 restaurants, including 56 Houlihan's and 11 Darryl's, are slated to come under the wing of the Riese Organization in an estimated $200 million deal. Five Long Island El Toritos, the Bristol Bar & Grill seafood chain, the Buena Vista Cafe in San Francisco, and Charley's Place would be part of the transaction with Riese, too.

Hipp would continue as G/R president in charge of his management group operating the casual-type restaurants for Riese. Nevertheless, completion of the agreement would in effect mark the dissolution of the Gilbert/Robinson empire and the emergence of the Riese brothers as the controlling force.

This would vastly expand the restaurant influence of Murray Riese and his brother, Irving, the Riese Organization's founders and guiding forces for half a century. They already own a multiplicity of fast-food and other franchises in the New York area — including Houlihan's New York franchise — but the G/R deal is a real coup for them.

Riese is New York area franchisee for 24 chains, including Pizza Hut, Dunkin' Donuts, KFC, Roy Rogers, Häagen Dazs, and Nathan's, among others. It is believed to control some 350 restaurants doing well over $300 million in annual total sales.

Long regarded as premier real-estate magnates with restaurants and other holdings literally almost on every corner of New York and in numerous grouped complexes, the Riese brothers have aspired in the past few years to become known more for their restaurants than for their real estate. They certainly have moved to the forefront, while Dennis Riese, Murray's son, mainly operates the New York area TGI Friday's franchise as president of Riese New York.

Murray Riese, who has dropped his longtime image of inaccessibility for a policy of dealing openly with the press and touting restaurant achievements rather than hiding them, indicates he aspires to move Houlihan's into every major market on the U.S. while opening hundreds over the next several years. He is talking in terms of 1,000 total restaurants nationally for the Riese Organization within five years.

Murray Riese may want to outdo Dennis Riese and become known as the great chain restaurateur of the age. Yet his plans put him in further competition with Dennis' TGI Friday's units.

We like the more open aspects of Murray Riese's new approach, seeking maximum exposure and publicity rather than trying to hide everything. But if he really intends to roll out Houlihan's at such a pace, that would take him well out of the entrepreneurial league which has made him so successful and put him in the W.R. Grace league and that of other conglomerates whose goal is to launch more and more restaurants.

Furthermore, he is dealing with a somewhat saturated casual-theme concept. This is a crowded segment featuring Houlihan's, TGI's, Bennigan's, and Houston's.

While the plans could mark another sad chapter for the once-great Gilbert/Robinson restaurant company, they also could be a disaster for Riese. We would urge caution here and throughout the industry in the pell-mell process of constant acquisitions and rapid expansion.

Say it isn't so, Murray. Or at least recognize that Houlihan's quality will be further jeopardized if it expands at too fast a pace.

## *LETTERS*

### *'Franchisor abuse' not suffered by majority*

Editor, NRN:

In reaction to the front-page story "Fast feeders fight franchisor abuse," Sept. 5, all I can say is, Where's the beef?

We're all concerned about the ongoing relationships between franchisors and franchisees. Each one needs the other in order to be successful, and despite the suspicions that were aired in the recent congressional subcommittee hearing, neither has the power to dominate the other, nor is it in the interest of either one to try.

So it's unfortunate when an article appears in NRN that almost totally highlights the side of what is in reality a tiny, strident minority among many thousands of solid business relationships in franchising. This can be verified through the only hard numbers available, those maintained yearly by the U.S. Department of Commerce, which were unfortunately buried at the end of the article.

Those numbers clearly show that among the nearly quarter-million franchised outlets in 1986, less than 3 percent were terminated, with slightly more than half at the initiative of the franchisee. Of the nearly 13,000 franchise arrangements up for renewal that year, 93 percent were renewed.

Certainly there are isolated problems in some systems, but to legislate solutions that would create onerous burdens for the majority with strong bonds is not the answer.

**William B. Cherkasky**
*president and chief operating officer*
International Franchise Association
Washington, D.C.

### *Thanks for dedication to news, annual award*

Editor, NRN:

It is a great honor to be selected as one of the six Golden Chain Operators for 1988.

Thanks for your determined approach to reporting the news of the industry through the years. You and your entire staff have contributed greatly to improving relations and communications throughout the industry.

**Hal W. Smith**
*president*
Chi-Chi's Restaurants
Louisville, Ky.

### *Hats off to Levin on work with the Phoenix House*

Editor, NRN:

It was heartwarming to read your July 18 story of Stuart Levin and his recent return to the industry. It's certainly a challenge for those at the Phoenix House to be all that they can be and take pride in the work they can learn to produce at the tutelage of such a master.

This is certainly a win-win situation. The residents at Phoenix House get the best teaching possible. They enhance their image and self-worth, and they become participatory members of a productive society.

Hats off to Stuart Levin, who has served the best. How rewarding to see that he is helping others be all that they can be.

**—Paul G.W. Fetscher**
*president*
Great American Brokerage Inc.
New York

### *Bean counters: dirty job, but someone has to do it*

Editor, NRN:

Re: Charles Bernstein's Aug. 29 Editor's Corner, "Replace bean counters with entrepreneurs," I'm sick and tired of you guys always picking on bean counters.

The fact that these people focus their vision on the bottom line is really not all bad.

I'm one entrepreneur who can say, "Some of my best freiends are bean counters." Besides, it's a dirty job, and someone has to do it.

**—Hal D. Sieling**
Hal Sieling and Associates
Carlsbad, Calif.

# Industry to see some bright spots in '89

CHICAGO — Although 1989 will be a dire year for the food-service business as a whole, several niches will find conditions changing at least slightly for the better, according to one of the industry's leading sales forecasts.

"We don't see an era of mass market opportunity," said Robert Goldin of Technomic Inc., the Chicago-based research company that prepared the International Foodservice Manufacturers Association's highly regarded 1988 Forecast & Outlook. "Instead, what we see are pockets of opportunity."

For instance, food-service outlets housed in retail stores will experience faster sales growth in 1989 than they did in 1988, according to Technomic, which aired its predictions during a one-day seminar here.

Supermarket delis will lead the charge, with real sales expected to grow by 5 percent next year, after hitting the $1.2 billion mark in 1988, Technomic projected.

Commercial cafeterias will continue to struggle next year, according to the forecast, which predicted a 1-percent increase in "real" or inflation-adjusted sales for the segment. But Technomic noted that the expected rise, albeit paltry, compares favorably with the 0.5-percent uptick projected for 1988.

Similarly, although hotel food-and-beverage operations will fail to boost customer traffic during 1989, that flatness marks an improvement compared with the situation in past years, when real sales declined by as much as 3.9 percent, Technomic said.

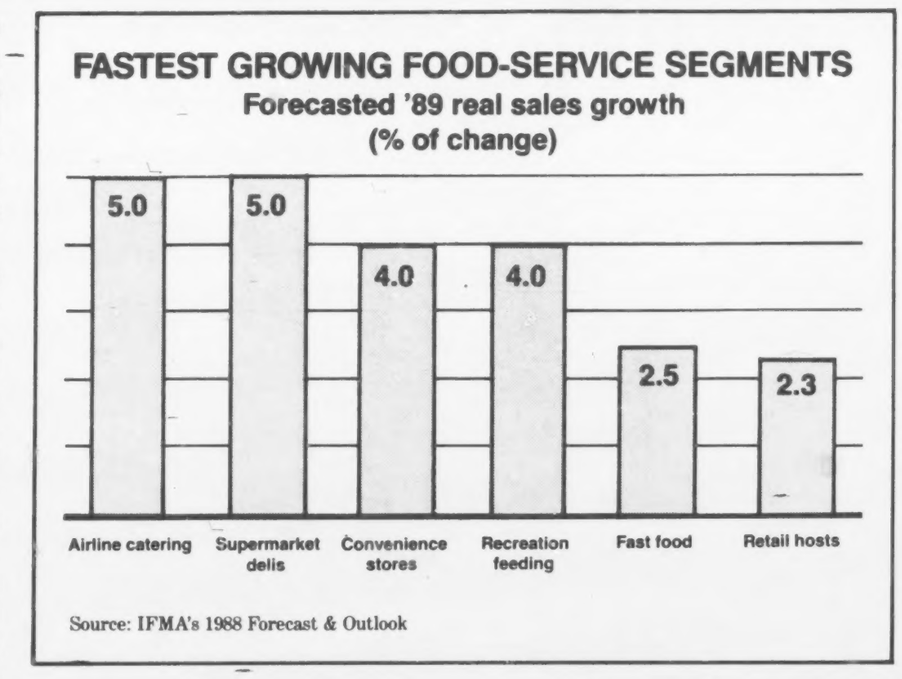
"Restaurants and lunch rooms," a catch-all statistical category that encompasses virtually all commercial eating places except bars, fast-food places, and in-store outlets, will remain in a recession next year, Technomic said. In real sales the broad segment will suffer a decline of half a percentage point, according to the research house.

But there again, Technomic observed, the damage will be less severe than the 1-percent drop in real sales projected for 1988.

"1986 and '87 were robust years for this segment," noted Technomic's Ralph Rush. "In 1988 the bottom appears to have fallen out."

The segment that will post the largest increase in real sales next year is airline catering, which will push its intake upward by 5 percent, Technomic forecast.

"We're seeing more money being spent on food" by the airlines, Rush said. Technomic specified that the average food expenditures per airline passenger was $4.21 in 1987, compared with the prior year's mean of $3.94.



Source: IFMA's 1988 Forecast & Outlook

*'We don't see an era of mass market opportunity. We see pockets of opportunity.'*

But he also observed that this year the segment grew at a faster rate than last year, with real sales projected to jump by 6.8 percent.

Similarly, bowling alley snack bars, stadium hot-dog vendors, and other feeders housed in recreational facilities will drive up real sales by a robust 4 percent in 1989, according to the Technomic forecast. Yet the market is headed toward a 5-percent increase for 1988, the data showed.

"1988 has been a blockbuster year at 5 percent," Rush commented.

In-store feeders, or what Technomic categorized as "retail hosts," have ample reason for celebrating during the coming New Year's Eve, according to Technomic.

The segment "had been growing at a fairly rapid clip," said Goldin, a senior principal of Technomic. "We're seeing a slowdown in 1988."

But, after seeing real sales growth slide from 3 percent in 1987 to 1.7 percent this year, the pace will quicken to 2.3 percent in 1989, Technomic said.

Included in the "retail hosts" classification are convenience stores, which in recent years have muscled their way into fast feeders' turf.

Half of the more than 67,000 convenience stores in operation today are equipped to cook on premises, and 24 percent feature delis, according to Goldin.

Those places will boost their food-service sales in real terms by 4 percent in 1989 after growing at a 3-percent rate this year, according to the forecast.

"A number of the major [convenience-store] chains have had very flat food-service sales," Goldin said.

The sales pace is predicted to quicken in 1989. However, the accelerated rate will still fail to match the 7.1-percent revenues jump posted by convenience stores in 1986, according to Technomic.

It noted that supermarket delis already account for 3.5 percent of a typical host store's sales. About 14 percent comes from food service, with the bulk attributable to such items as cold cuts, frozen pizzas, or cheese.

"The excitement in supermarket food service is coming from delis, not from the supermarket restaurant," Goldin said.

The research company based its projections and forecasts on estimates of how much food will be sold to restaurants by distributors.

The analysis calls for food-service sales to increase overall by an anemic 1.2 percent, compared with a projected 1988 increase of 1.5 percent. Last year the industry's sales rose 3.4 percent, following a 2.7-percent upswing in 1986.

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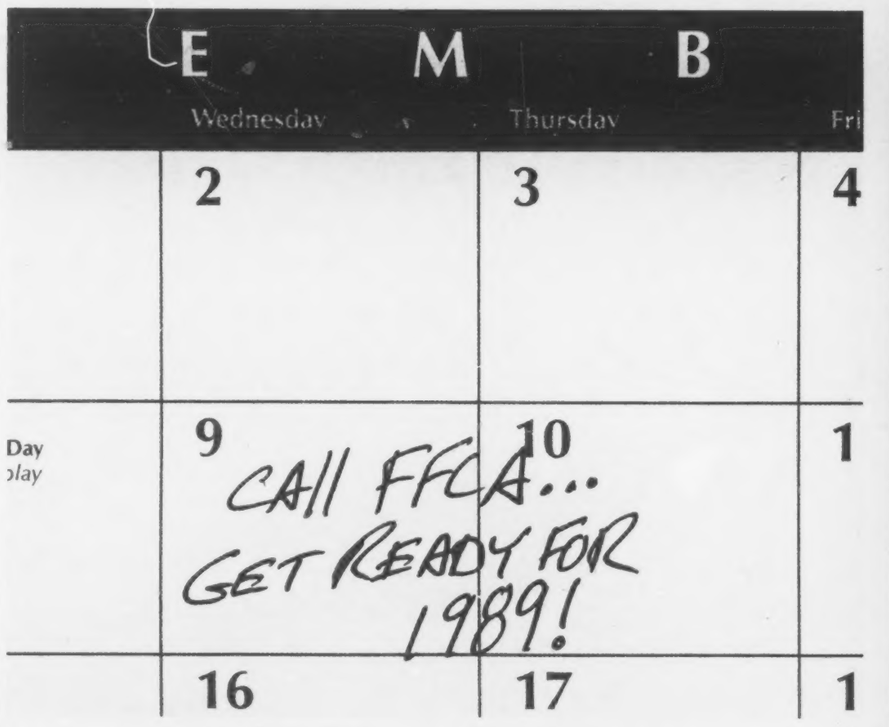


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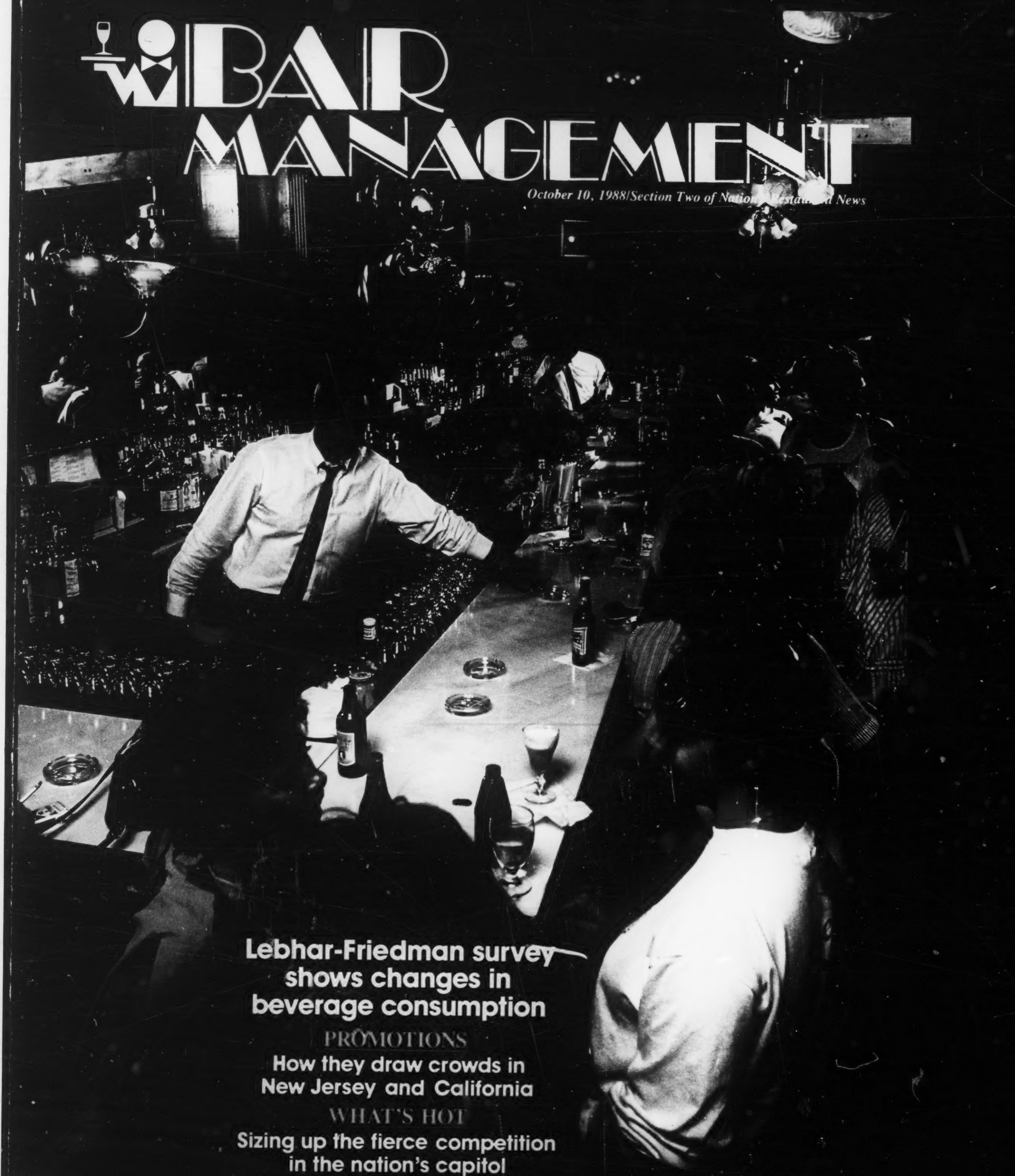
# BAR MANAGEMENT

October 10, 1988/Section Two of National Restaurant News



**Lebhar-Friedman survey shows changes in beverage consumption**

PROMOTIONS

**How they draw crowds in New Jersey and California**

WHAT'S HOT

**Sizing up the fierce competition in the nation's capitol**

# TRENDS

## When day is done, it's vodka or wine

After hours the favorite drink for bartenders is vodka, closely folowed by wine, according to a random national survey conducted by Stolichnaya. The tally showed 25 percent of respondents enjoying vodka at home, 24 percent favoring wine, 15 percent taking beer, 10 percent drinking a sparkling wine, and the remainder relaxing over rum and scotch.

When respondents were asked to name their favorite cocktail, the voting was diffused. The largest group, 15 percent, favored the Screwdriver. The Bloody Mary was the second most-favored cocktail, with vodka martinis and rum and cola tied for third place.

## Universities honored for alcohol awareness

The Adolph Coors Co. has presented five scholarships of $1,000 each for excellence in alcohol-awareness education to five universities.

The winning schools were the University of New Orleans, Frostburg State University in Maryland, Pennsylvania State University, the University of Missouri at Columbia, and the University of Southern Mississippi.

## Drinking costs less at private clubs

Sales of beverages account for about a third of total gross profits in the nation's country clubs and city clubs.

A survey by the National Club Association showed that 32 percent of the average country club gross profit of $572,000 came from beverages in 1987, while in city clubs that figure amounted to 39 percent of an average gross profit of $890,000.

The survey also found that clubs charge much less than their more commercial competition does and that the best buys were at country clubs.

## Spirits consumption dip continues, but slows

Shipments of distilled spirits fell 1.9 percent, to 164 million cases in 1987, according to Impact Databank figures. Total shipments were off less precipitously than in 1986, when movement declined 6.6 percent, to 168 million caes.

Wine shipments were off 1.8

percent in 1987, to 192.3 million cases, against 195.8 in 1986 and the all-time high of 220 million cases in 1982.

Wine figures showed a continued upgrading of consumer taste as sales of jug wines fell 31 percent while sales of varietals moved up 19 percent.

## Soft dollar causes hard problems for the French

Sales of French table wines in the U.S. fell nearly a third in 1987. Meanwhile, exports of California wines were up nearly 100% in the first quarter, according to the Lempert Report.

## WHO'S DRINKING WHAT AND AT WHAT AGE

The latest Share of Intake Panel study shows that the 30-to-39 age group leads the rest of the nation in consumption of alcoholic beverages.

The study conducted by NFO Research Inc. shows the 60- and-over age group as the heaviest consuming group for distilled spirits.

The 30-39 age group leads all other age brackets in consumption of wine, beer and wine coolers.

*1987 ALCOHOLIC BEVERAGE CONSUMPTION BY AGE GROUP*

| Age Group | Total Alcoholic Beverages | Wine | Distilled Spirits | Malt Beverages | Wine Coolers |
|---|---|---|---|---|---|
| Under 20 | 0.5% | 0.4% | 0.4% | 0.5% | 1.0% |
| 20-29 | 22.9% | 13.0% | 13.5% | 24.2% | 28.0% |
| 30-39 | 33.2% | 29.7% | 24.0% | 34.0% | 46.2% |
| 40-49 | 15.0% | 24.4% | 18.5% | 13.4% | 14.2% |
| 50-59 | 13.2% | 8.6% | 10.0% | 14.8% | 6.3% |
| 60 & over | 15.2% | 23.9% | 33.6% | 13.1% | 4.3% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: NFO Research Inc.'s Share of Intake Panel (SIP) Study

**Credit: NFO Research Inc., Share of Intake Panel Study**

# A SPIRITED YEAR FOR BEVERAGE SALES

*Imported vodka and imported beers are top sellers; Light beer continues to be strong; survey illustrates increased preference for premium well and general trend toward quality brands in all categories.*

Beer and wine sales are up, and spirits are mixed—that's how leading chain and independent operators see their business today, as revealed in a special Lebhar-Friedman Research study of more than 200 chain and independent establishments.

The respondents, chosen from top-grossing operators in the 1987 Lebhar-Friedman directories of chain and high-volume independent restaurants, report increases in only one major spirits category, imported and domestic vodka.

Nearly one-third (32 percent) of respondents say their alcoholic beverage sales had increased during the last year, whereas 39 percent indicate it had stayed the same, and 28 percent report an overall decrease.

On average, alcoholic beverages account for 28 percent of total dollar volume for food establishments covered by the survey.

**Independents show biggest gains**

Independents report an average increase of 16 percent in total alcoholic beverage sales compared with 8.5 percent for chains. Those independent operators who say business was off, however, had an average drop of 17 percent vs. 9.5 percent for chains.

Respondents generally say spirits accounted for the largest part—39.5 percent—of total alcoholic beverage volume, followed by beer, 32.9 percent, and wine, 27.6 percent.

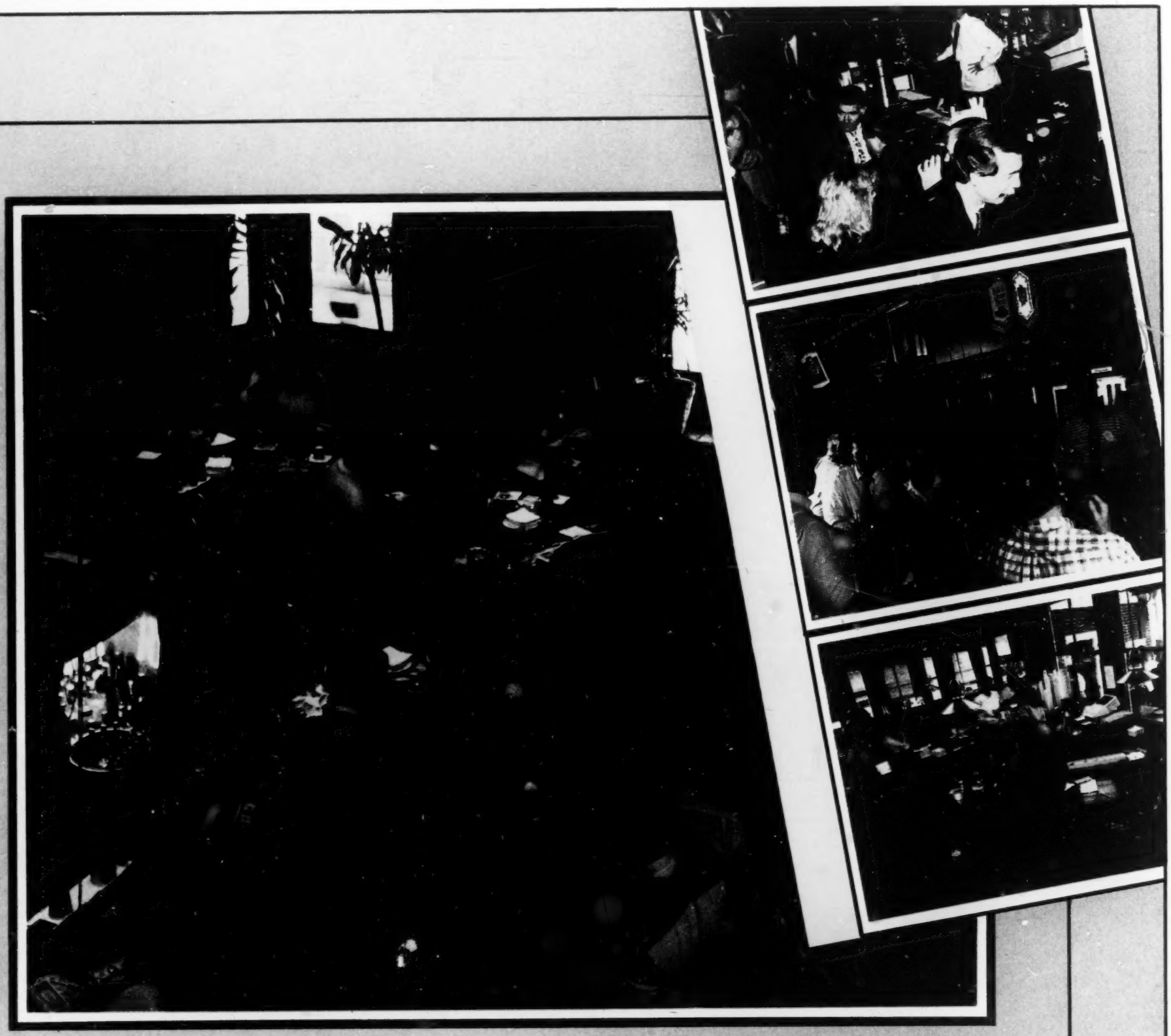
On the average, operators worked on a 69-percent margin for spirits, 61 percent for beer, and 57 percent for wine, with independents generally working on higher margins than do chain operators in all three areas. Independent white tablecloth operators, for example, had average margins of 143 percent for spirits, 110 percent for beer, and 88 percent for wine.

More than 90 percent of all establishments report they have trained employees in regard to patron intoxication, while 62 percent offer special programs for customers, such as designated drivers or cab rides for inebriated patrons.

**Happy Hour still strong**

The Happy Hour remains a favorite promotion, with 41 percent of establishments using the device. It is particularly favored by hotel and motel operators, with three out of four respondents having Happy Hours.

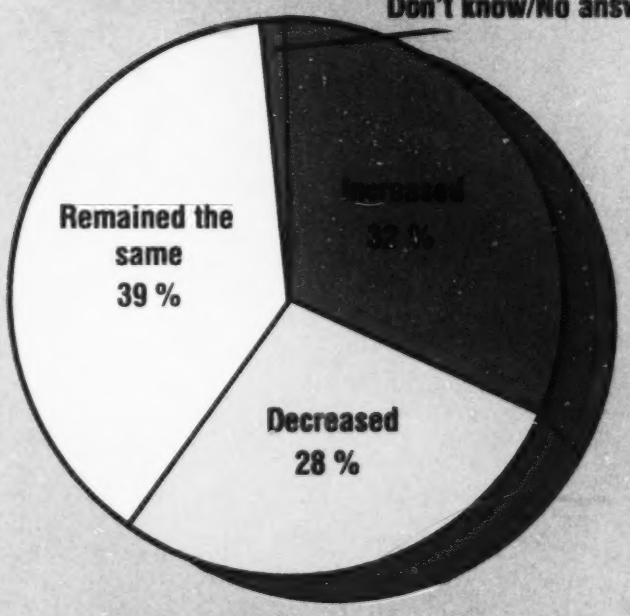
Free hors d'oeuvres (70 per-



**PERCENT OF ALCOHOL SALES ATTRIBUTED TO:**

Source: Lebhar-Friedman research

**CHANGE IN TOTAL ALCOHOLIC BEVERAGE SALES IN THE PAST 12 MONTHS**




Source: Lebhar-Friedman research

# MARKET TRENDS

cent) and cut-price drinks (67 percent) were the most frequently mentioned complements to Happy Hours. Chains, to an overwhelming degree compared with independents, favor free nibbles (75 percent vs. 55 percent) and reduced-price food (38 percent vs. 5 percent).

### Emphasis on quality brands

The survey also confirms industry reports of a strong swing to premium and quality brands in all areas. Lebhar-Friedman researchers found that more than a third of all respondents (36 percent) who serve spirits offer a premium well.

The trend is most popular among chain operators, with 39 percent boasting a premium well compared with 33 percent for independents.

Here are the other key points of the survey.

### Vodka sales on upswing

While sales of most types of spirits had declined during the past year in amounts ranging from 8 percent for rum to 38 percent for Irish whiskey, 43 percent of food-service operators say their sales of imported vodka were up 19 percent. Nearly a third (31 percent) report a 3-percent increase in domestic vodka sales.

The downturn in the rum and tequila categories was unexpected. In recent years white goods have been the sparkling segments of the liquor business, and the decrease, while small, could signal more

**SALES FOR THE PAST 12 MONTHS**

| | Available In Establishments That Serve Spirits | More | Same Amount | Less | Net DK/NA | Net Change |
|---|---|---|---|---|---|---|
| | % | % | % | % | % | % |
| Bourbon | 100 | 12 | 45 | 40 | 2 | −28 |
| Gin | 100 | 23 | 44 | 31 | 2 | − 8 |
| Scotch | 100 | 13 | 46 | 38 | 2 | −25 |
| Rum | 100 | 20 | 49 | 28 | 3 | − 8 |
| Tequila | 100 | 23 | 46 | 29 | 2 | − 6 |
| Blended Whiskey | 99 | 8 | 48 | 41 | 3 | −33 |
| Cognac/Brandy | 99 | 16 | 44 | 38 | 2 | −22 |
| Cordials/Liqueurs | 99 | 15 | 50 | 32 | 3 | −17 |
| Canadian Whiskey | 98 | 10 | 52 | 36 | 2 | −26 |
| Domestic Vodka | 98 | 31 | 39 | 28 | 2 | + 3 |
| Irish Whiskey | 97 | 9 | 42 | 47 | 3 | −38 |
| Schnapps | 97 | 27 | 35 | 36 | 2 | − 9 |
| Imported Vodka | 97 | 43 | 30 | 24 | 2 | +19 |

Source: Lebhar-Friedman research

**TOP BRANDS IN THE PREMIUM WELL**

| | Total % | Chains % | Independents % |
|---|---|---|---|
| Bacardi *Rum* | 67 | 72 | 62 |
| Canadian Club *Canadian Whiskey* | 63 | 66 | 61 |
| Jose Cuervo *Tequila* | 60 | 65 | 54 |
| Jameson *Irish Whiskey* | 54 | 47 | 61 |
| Dewar's *Scotch* | 43 | 40 | 46 |
| Jack Daniels *Bourbon* | 42 | 56 | 26 |
| Seagram's 7 *Blended Whiskey* | 40 | 42 | 38 |
| Beefeaters *Gin* | 39 | 39 | 38 |
| Absolut *Vodka* | 35 | 30 | 40 |
| Courvosier *Cognac/Brandy* | 35 | 34 | 37 |
| Peach *Schnapps* (unspecified) | 26 | 19 | 33 |
| Amaretto Di Saronno *Liqueurs* | 13 | 15 | 12 |

Lebhar-Friedman research

**MARGIN ON ALCOHOLIC BEVERAGES**

| | | CHAINS | | | INDEPENDENTS | |
|---|---|---|---|---|---|---|
| | Grand Total | Total | Family Rest./ Coffee Shop | Hotel/ Motel | Total | White/Tablecloth |
| Everyday margin received for... | % | % | % | % | % | % |
| Spirits | 69 | 59 | 40 | 49 | 81 | 143 |
| Beer | 61 | 57 | 60 | 43 | 66 | 110 |
| Wine | 57 | 53 | 59 | 43 | 61 | 88 |

Lebhar-Friedman research

# MARKET TRENDS

changes in American habits.

Another surprise came in schnapps sales, which had recently been booming. Respondents show an overall drop of 9 percent in that category, with 36 percent of operators reporting a decline, 27 percent reporting an increase, and 35 percent reporting no change.

Despite the drop, it's interesting to note that the peach-flavored brand that sparked the schnapps explosion in the early 1980s continues strong, with DeKuyper Peachtree listed as the best-selling variety in the category by all types of establishments.

**Light beer gaining**

The public's shift toward light beer continues to be strong, with 56 percent of establishments reporting increased sales over the past 12 months. The trend is most noticeable among chain white-tablecloth operations, where seven of 10 respondents say their light beer sales have increased.

Overall, more operators (40 percent) report an increase in domestic beer sales, while 14 percent say they were down.

Budweiser, according to 47 percent of respondents, is the best-selling domestic brand. Heineken was named by 42 percent of respondents as the top selling import.

The other top-selling domestics are, in this order: Miller Lite (21 percent), Michelob (10 percent), Miller High Life (5 percent), and Bud Light (5 percent).

Trailing Heineken among the imports are Corona (26 percent), Amstel Light (7 percent), Becks (7 percent), and Molson (5 percent).

Corona, more popular among younger drinkers, outsells Heineken in chain operations, 35 percent compared with 16 percent, while Heineken does better among independents, 51 percent vs. 34 percent.

In both types of establishments, Heineken is the favorite of patrons age 35 and over, while Corona was chosen most frequently by patrons under 35.

Domestic beer accounts for 63.5 percent of all beer sold; imported beer, for 36.5 percent. About 50 percent of operators also sell one or more non-alcoholic beers.

**Wine sales climbing**

Operators report dramatic gains in wine volume, with domestic white wine and blush or rosé leading all categories. Respondents claim increases of approximately 50 percent for both those types and a hike of 22 percent for both domestic red and Champagne or sparkling wines.

Training in wine appears to be on the increase, with four out of five establishments reporting special training in handling wine offered to the staff. The majority, 76 percent, take advantage of educational programs offered by vintners and distributors.

Nearly three out of four establishments now offer premium wine by the glass and report an average pour of 6.2 ounces.

**Other key findings**

- Nearly four out of five establishments now serve bottled water, with 40 percent of operators reporting increased sales over the past 12 months.
- Non-alcoholic drinks, mocktails and the like, are available in 72 percent of the operations surveyed, and 24 percent of operators report increased sales in the last year.
- Sixty-eight percent of those surveyed offer frozen specialty drinks, and 35 percent report increased sales.
- More than one-third, 37 percent, of respondents serve brunch.
- Champagne is the most frequently served (49 percent) alcoholic beverage at brunch. However, half of those offering brunch do not include any alcoholic beverages as part of the program.
- While operators usually limit patrons to one Bloody Mary or Screwdriver at brunch, 50 percent of all establishments that serve Champagne or sparkling wine with brunch offer patrons unlimited amounts of that beverage.
- Two-thirds of establishments serving wine also serve coolers, and they report a 12-percent increase in cooler sales over the past 12 months.

## SURVEY METHODOLOGY

Results are based on 201 telephone interviews of leading dollar volume chain restaurants and high-volume independents from June 2 to June 20, 1988.

Job titles of respondents included vice president in charge of food and beverages, vice president for operations, owners, partners, managers, and bar managers.

All establishments were screened to ensure they served at least one type of alcohol, either wine, spirits, or beer. Completed interviews were recorded in the following four food-service operation classifications.

**NUMBER OF COMPLETED INTERVIEWS**

| | *Chain* | *Independent* |
|---|---|---|
| Dinner house | 39 | 41 |
| White tablecloth | 30 | 30 |
| Family restaurant/ coffee shop | 20 | 20 |
| Hotel/motel | 21 | - |
| TOTAL | 91 | 110 |



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NEWSPAPER

**Equipment roundtable: Who bears the burdens?**

Focus section follows page 34

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**Vol. 22, No. 44** | **Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year** | **October 31, 1988**

**Judges check out the cold plate presentation at the Culinary Olympics.**

## *Swiss take top honors at Culinary Olympics*

**By Ken Frydman**

FRANKFURT, West Germany — The five-man Swiss national team edged the West German and American squads to become "Weltmeister," or world champion, at the often-chaotic International Culinary Olympics here.

At the 18th quadrennial games, the Swiss contingent compiled 500 overall points by winning two of four categories — the cold-show platters and pastry — and capturing second in hot-food-displayed-cold.

Runner-up West Germany finished with 496.11 overall points, taking the hot-food-displayed-cold competition and placed second to the United States in the international restaurant hot food match-up.

The U.S., which wrapped up third with 491.04 points, won the international hot-food competition and finished second behind the Swiss in both cold platters and pastry.

Meanwhile, defending champion Canada finished out of the money, managing third-place finishes in both cold-show platters and hot-displayed-cold plates.

The remaining 26 national teams won gold medals for their efforts.

And in regional competition, the 10-member U.S. squad collected 15 gold medals to finish first.

Meanwhile, the best-laid plans of organizers, participants, and spon-

*(See **CULINARY**, page 4)*

# Levin gets helm at Burger King

## *Franchisees see signal chain will be sold*

**By Peter J. Romeo**

MINNEAPOLIS — Pillsbury Co. has stationed an experienced deal maker at the helm of Burger King amid mounting indications that the chain will soon fall under new ownership in one way or another.

**Levin**

Mergers-and-acquisitions expert Jerry Levin replaced Charles Olcott, a hesitant former accountant who resigned under intense pressure from franchisees for swift, fundamental changes in the fast feeder's direction.

Licensees expressed little support for Olcott's successor, whose restaurant experience is limited to a three-month stewardship of Pillsbury's two struggling dinner-house operations, Steak and Ale and Bennigan's. Levin remains chairman of those businesses.

Yet franchise operators voiced strong hopes that Levin's succession to the Burger King throne portends a sale of the 5,000-unit chain, which has floundered under Pillsbury's direction for the last three years.

Licensees reported that a militant faction recently met in Phoenix, Ariz., to explore ways of fomenting a change in Burger King's ownership. And the chairman of the chain's franchise advisory committee has stated that the organization would stonewall an attempt

*(See **BK**, page 4)*

# Morris-Kraft deal jolts food business

**By Marilyn Alva**

NEW YORK — Philip Morris' bid to acquire Kraft Foods for a mind-boggling $11.5 billion — and Kraft's $12.5 billion counteroffer to remain independent — is the most jolting example of the intense market share battle heating up in the maturing food industry.

**Bernstein on mega mergers**

**Page F3**

But food-service operators, distributors, and analysts view the trend of the big gobbling up the not so big largely as a positive force helping to propel the industry into a more sophisticated, efficient, and global future.

The Philip Morris offer is one of the biggest in a skein of mega-deals rocking

*(See **MORRIS-KRAFT**, page 94)*

# Local questions loom at polls

## *Millions of dollars at stake on state, local ballots nationwide*

**By Alan Liddle**

George Bush and Michael Dukakis won't be the only ones anxiously awaiting election returns next week.

Restaurateurs nationwide stand to gain or lose millions of dollars Nov. 8 through the passage or defeat of local ballot measures.

In California, for example, approval of Proposition 95 would force health inspectors statewide to issue tickets to food-service operators, grocers, and landlords for even the most minor health and safety code violations. The projected $50 million to $90 million in fines generated annually by such an aggressive enforcement policy would fund a new program to feed and shelter the state's homeless.

Opponents — including the California Restaurant Association and several health inspectors — claim that the proposition unfairly places the burden of a societal problem on the backs of a few businesses and would create an adversarial relationship between restaurateurs and inspectors.

If Initiative 518 passes in the state of Washington, restaurateurs there will face not only a 50-cents-an-hour hike in the minimum wage, to $3.85, in 1989 and a further increase,

*(See **OPERATORS**, page 94)*

**FOOD WATCH**

## *Leeks spring up at Fiasco's*

NEW YORK — The onionlike leek is proving a versatile flavor enhancer in soups, pastas, seafood, veal, and chicken dishes at Fiasco, a lively Italian restaurant here.

Fiasco's Sebastian Santangelo is utilizing the winter vegetable in his hearty appetizer Crespelle di Pesce, a melange of shrimp, scallops, and crab, sautéed with Cognac and cream and wrapped in a homemade crepe. In the Linguini Napoletano, chopped leeks with black olives and sun-dried tomatoes grace a bed of pasta in white wine sauce. And calzone at this restaurant contains crabmeat, scallops, ricotta, and leeks.

**— Ken Frydman**

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Vol. 22, No. 44 Oct. 31, 1988

# NEWS DIGEST

## Associated Host suitor seeks restaurant 'partner'

BEVERLY HILLS, Calif. — The Hong Kong company that has launched a takeover of Associated Host, the hotel and dinner-house operator here, said it plans to find a "partner" that could purchase all or most of Associated's restaurant equity.

Discussions have been held with "a number of prospective partners for this purpose," but no deals have been struck, said Associated's would-be buyer, Industrial Equity Ltd.

The company, which is controlled by New Zealand investor Sir Ronald Brierley, has offered $41.2 million for the 81 percent of Associated it does not already own.

Associated operates 59 Bombay Bicycle Club and Smuggler's Inn dinner houses.

## Patout opens restaurant in Big Easy's French Quarter

NEW ORLEANS — Cajun chef Alex Patout has opened a new restaurant in the French Quarter here after a trying year in which he either closed or ceded control of other restaurants bearing his name.

The new place, called Alex Patout's Louisiana Restaurant, will feature specialties of the area.

In the last year two Patout's restaurants — one here and one in Dallas — have been closed for financial reasons. Patout, 35, has severed ties with another Patout's in New Orleans and a unit in Los Angeles. He has declined to say why he ceded control of those outlets to his family.

## Despite softening traffic, McDonald's net jumps 17%

OAK BROOK, Ill. — Despite a decline in McDonald's customer counts during late summer, the fast-food giant nevertheless managed to boost its net income for the third quarter by 17 percent, to $191.3 million.

Revenues for the July-through-September period were $1.46 billion, up 11 percent, the company said.

McDonald's inflation-adjusted, per-unit sales declined as much as 3 percent from year-ago levels during July and August, according to financial analysts.

## Pizza Hut launches test of new 'lovers' version

WICHITA, Kan. — Pizza Hut is building its "Lovers" line with a test of a Pepperoni Lovers pizza in company stores in Roanoke, Va., and Albuquerque, N.M.

The test follows by several months the launch of a Cheese Lovers pizza in 2,600 company stores and the recent addition of a Meat Lovers pizza.

"We found that consumers want more variety and more of what they like," said Michael McKee, senior director of new-products marketing.

The pizzas are available in three crusts — thin, hand-tossed, and pan — and in three sizes. The prices range from about $7.59 to $12.99 per pie.

## McD hypermarket unit features whipped drink

HOUSTON — A McDonald's unit in a new "hypermarket" shopping complex here is featuring a frothy, whipped-type drink similar to Orange Julius' signature beverage.

The treat is available in four flavors and sells for 79 cents.

The McDonald's unit is located in the new Auchan hypermarket, which also houses Taco Bell, Pizza Hut, and TCBY outlets.

## Stephen Marcus succeeds dad as Marcus Corp. chief

MILWAUKEE — Stephen Marcus has succeeded his father, Ben, as chief executive of Marcus Corp., operator of 103 Big Boy coffee shops and a number of Budgetel motels.

The elder Marcus remains chairman, and his son retains the post of president.

## *Ramada airs plans for selling hotels, Marie Callender*

PHOENIX — Ramada Inc. has aired plans to sell its Marie Callender Pie Shoppes chain and three lodging systems in what appears to be an attempt to dodge a takeover by a rival hotel operator, the Pritzker family of Chicago.

Ramada did not identify the potential buyers of its hospitality holdings and noted that the planned transactions could be scotched in a number of ways.

After the divestitures Ramada would consist solely of a gaming company, with casinos in both Nevada and New Jersey.

The restructuring would enhance the value of Ramada common shares, since proceeds would be distributed to current stockholders.

Richard Snell, Ramada chairman, estimated that shareholders would receive a payment of at least $7 per issue in cash and a "share-price-enhancement ticket" worth at least $10.

"The company will be able to focus its energies on the gaming business, which has been performing very well," Snell said.

The Pritzkers, which hold a 7.2-percent stake in Ramada, have offered to buy the rest of the company for $10 per share, or $371.4 million in the aggregate. Ramada's board rejected the bid as "grossly inadequate."

According to analysts, the major enticement for the Pritzkers is Ramada's gaming business.

The company's lodging holdings include Ramada Inns, Rodeway Inns, and Ramada Renaissance Hotels. The three chains number 800 properties.

**— Peter J. Romeo**

## Ryan's shelves breakfast because of employee drain

GREER, S.C. — Ryan's has discontinued its test of breakfast service on account of the "tremendous strain placed upon our management and hourly employees," the 118-unit steak-and-buffet chain recently explained to all of its shareholders.

"Test results were successful," but the payback did not justify the labor input, Ryan's noted in its third-quarter earnings statement.

The company said it would continue to test buffets of Mexican and Italian foods.

## Rax adds Chinese offerings to themed dinner buffet

COLUMBUS, Ohio — Rax Restaurants Inc. will be adding an Oriental touch to its internationally themed dinner bar.

Customers at the fast feeder will confront an array of Chinese entrées and vegetable dishes.

Accompanying the current tasty Mexican entrées and Italian pastas offered by the dinner bar will be such items as broccoli beef, Szechuan beef, chicken chow mein, Oriental rice, pineapple chunks, water chestnuts, egg rolls, as well as fortune cookies.

As an in-store promotion for the Chinese dinner bar menu additions, all 520 Rax restaurants will be decorated in an Oriental motif. The decor will include fans, lanterns, wind socks, and kites. Rax crew members, attired in costumes, will bang a gong every time that a customer orders the dinner bar.

## Friday's, Country Kitchen, Radisson pool purchases

MINNEAPOLIS — Carlson Cos.' Radisson, T.G.I. Friday's, and Country Kitchen chains are planning to combine their food purchases in Georgia and Florida to cut costs.

"The potential of that approach is definitely 2 to 3 percent savings," said Don Clawson, vice president of food and beverage at Radisson.

Radisson has 18 hotels there, he said, and Friday's and Country Kitchen have about 10 restaurants apiece in the area.

# FOCUS | VIEWPOINT

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# Supplier mega-mergers pose dangers

Cash-rich Philip Morris' astounding $11.5 billion tender offer to acquire Kraft spotlights the dizzying pace of corporate raids on supplier companies. The results seem to be unhealthy for food-service operators.

The bid comes on the heels of Grand Metropolitan of Britain's dramatic $5.23 billion tender offer to acquire Pillsbury, a move that Pillsbury is fighting. Pillsbury had viewed Kraft as a possible white knight, and it is still conceivable that Kraft could try to top Grand Met's price, thereby making itself too heavy for Philip Morris.

At the same time Tyson Foods, by far the leading volume chicken processor, has launched a $920 million bid to acquire No. 5 Holly Farms and thereby stretch its chicken dominance. And Doskocil apparently has successfully completed its tender offer to acquire Wilson in a merger of two meat-supplier giants.

Realistically, the manufacturing, distribution, and operator sides of the business have been undergoing consolidations for years. Yet whenever a supplier company is swallowed up, the operator loses something in diversity of choice and the ability to deal with a supplier in personal terms on selection, quality, and pricing.

Food-service supplier divisions have progressed from stepchildren to equality with retail food divisions, but the merger mania rocking the suppliers could lead to more retail emphasis by the retail-oriented prospective parents. Of course, Philip Morris and Grand Met also have vast capital to pour into the food-service supplier divisions for faster growth if they so choose.

As Jim Peterson, 1988-89 president of the National Restaurant Association, warned recently: "We are partners with our suppliers. But now we find our suppliers being grabbed up. I'm not saying there's anything wrong with mergers.

"The jury is still out, and nobody knows what the outcome will be. But it's a troubling uncertainty."

Just three years ago Philip Morris acquired General Foods for $5.8 billion and now has almost $30 billion in total revenues, 80 percent still in cigarettes and the remainder in food brands. Combined with Kraft's $10 billion revenues, this would create by far the world's largest food company and biggest consumer products company — more than double Procter & Gamble's $18 billion volume. The $11.5 billion price offered by Philip Morris is topped only by Chevron's $13.4 billion 1984 acquisition of the Gulf Corp.

The figures here are almost too mind-boggling to contemplate. Kraft instinctively wants to protect its independence. But whether it can fend off Philip Morris' premium bid of $90 a share, far above Kraft's $60-a-share stock price at the time, is problematical.

Ironically, Philip Morris' bid for Kraft apparently takes the former out of the running to acquire Quaker Oats, which in turn has purchased the Continental Coffee Co., greatly stretching its reach in beverages. Philip Morris apparently was eying Quaker before reaching for the Kraft jewel.

Grand Met also was willing to pay a heavy premium in its $60-a-share bid for Pillsbury. Grand Met jumped in when Pillsbury was particularly vulnerable to a takeover. Pillsbury is fighting the offer, claiming that the corporation's potential value under a contemplated restructuring and capital-improvements plan is well above the $5.2 billion mark.

If Grand Met should succeed in its takeover effort, Pillsbury's Steak & Ale and Bennigan's would have to be sold since it would be illegal for Grand Met as a liquor distiller to own any restaurants that sell liquor.

We think it is better for Pillsbury, as a supplier company and chain operator, to remain independent of the British conglomerate. Philip L. Smith, Pillsbury's new chairman, has vowed to pour in capital expenditures to revitalize the performance of Burger King, which lagged under Pillsbury's previous policy of investing as little as possible in its chains.

Jeffrey Campbell, ousted as president of Pillsbury's restaurant group, was clearly a victim of this shortsighted policy. To a lesser extent, Kyle Craig, who was removed as chief of Steak & Ale and Bennigan's, also was a victim.

On the operator side, the TW Services conglomerate, which acquired Denny's Inc. last year, has been fighting a $1.1 billion acquisition offer from Coniston Partners, which owns 20 percent of the stock. Here it is in the best interests of Denny's, El Pollo Loco, Spartan Foods, and Canteen Corp. for TW Services to remain independent and thereby give chairman Frank Salizzoni a chance to keep momentum building with these chains.

While some people make a great deal of money in any of these mergers, one must again remember that bigger is often worse and that individuality and competitiveness must be preserved.

It is getting to the point where one colossus, such as Philip Morris or Grand Met, eventually may be the only company left, with everything consolidated into it. Let's hope that diversity somehow will still flourish and that enough suppliers will survive as entities to give operators freedom of choice.

## LETTERS

### *Good names hard to come by: check on trademarks*

Editor, NRN:

I was delighted to see Humphrey Yogart as "Name of the Week" in the Sept. 12 issue. As co-founder of Humphrey Yogart and licensor of the trademark and proprietary information, I found it wonderful to see recognition in the industry "bible."

However, having been subjected to trademark infringement, I am highly aware of the need to educate entrepreneurs regarding such matters. We spent a great deal of time and money over several years clearing the path for our trademark registration and consider it a valuable asset to our business. It concerns us that people just looking for a "clever" name (and even some attorneys!) assume that it is enough to check the corporate records in their area and feel free to proceed if there is no conflict.

You would be doing your readers a service to regularly print a notice in your "Name of the Week" section, stating that many business names are federally registered trademarks and should not be used without first doing a thorough federal trademark search.

Thank you for the mention and for your consideration of this suggestion.

**—Maria Baker**
Humphrey Yogart
Portland, Ore.

### *Tale of two Humphries: stores share like names*

Editor, NRN:

Your "Name of the Week" in your Sept. 12, 1988, issue — Humphrey Yogart for a California yogurt shop — certainly intriged me.

It bears a striking resemblance to the brand name Humphreez Yogart, a trademark we registered for Brighams about 10 years ago, when I was vice president of marketing and manufacturing. At that time we operated more than 100 restaurants and ice-cream shops in the Boston area and were famous for our quality ice cream. We developed the first "dippable" frozen yogurt in the industry and named it "Humphreez Yogart" with the creative help of our advertising agency, Hill, Holliday, Connors and Cosmopolous.

**—Jerome P. Lavely**
*vice president, Deli/Bakery Merchandising*
First National Supermarkets Inc.
Maple Heights, Ohio

### *Consumer Reports not a bastion of integrity*

Editor, NRN:

I was shocked to read in your Sept. 19 Editor's Corner ("When the consumer speaks, try to listen") that you feel the integrity of Consumer Reports is strong. And you say very few question the honesty of its efforts.

Sorry, this is devoid of integrity . . . It is just that so many people have been told to believe that it is honest that it is accented as gospel. The honesty of its efforts . . . I am sure you know that Consumers Union, totally financed by magazine subscriptions, they say, is in the forefront of far-left-leaning political activity, and very few, if any, of its subscribers realize they are contributing to a very, very liberal cause. And they never mention that in their subscription promotions.

I believe what I read in NRN, even though it has advertisers. You have integrity and a staff that will call it the way it is. Consumer Reports just needs a laxative.

**—Sheldon M. Heiman**
Burbank, Calif.

**More viewpoints on page F8**

MARKETING

# Fall fast-food ads fizzle instead of sizzle

By Marilyn Alva

LINCOLN, Neb. — Despite the introduction of new ads for the fall season, consumer awareness of fast-food advertising experienced little or no increases, according to Nation's Restaurant News' latest Adtrack poll.

Burger King, which had banked on better success with its newly commissioned spots from West Coast director Leslie Dektor, registered no advertising awareness increase during September and early October. Some 14 percent of polled consumers recalled the chain's advertising then.

McDonald's, the fast-food chain with the highest recall, edged up only one point for a 48-percentage point awareness score. The fast feeder had reintroduced the popular Mac Tonight character during prime-time ad blitzes.

Wendy's, which had dropped two percentage points in August, when Hamburger A and Express-Pak Meal spots were being aired heavily, gained ground in September, jumping two percentage points. Nine percent of those polled remembered Wendy's advertising then.

In the NRN poll SRI Research Center Inc. here asked a representative sample of 1,000 consumers across the country, "Of all the fast-food advertising that you have read, seen or heard in the last month, which advertising first comes to mind?"

Hardee's, Taco Bell, Arby's, Pizza Hut, and Kentucky Fried Chicken registered no increase in awareness during the latest poll.

Some 5 percent of the polled consumers remembered Hardee's advertising, while only 2 percent recalled Taco Bell and Arby's. At least that was better than Kentucky Fried Chicken and Pizza Hut, both of which received a measly one percentage point recall score.

**WHOSE FAST-FOOD ADS FIRST COME TO MIND?**

*(Month-to-month change in percentage points)*

| | |
|---|---|
| McDonald's | up 1% |
| Burger King | no change |
| Wendy's | up 2% |
| Hardee's | no change |
| Taco Bell | no change |
| Arby's | no change |

Source: NRN Adtrack, SRI Research Center, Lincoln, Neb.

# Domino's rolls ads to accompany Pan Pizza test

## *Claymation Noid stars in radio, TV, print spots*

ANN ARBOR, Mich. — Domino's Pizza has begun supporting its Pan Pizza test with a full-blown advertising campaign that includes television, radio, and print.

The television commercials, which are running in Cedar Rapids, Iowa, feature the Claymation Noid. In the spots the character reads about Domino's Pan Pizza in an "Extra Extra" edition of a local newspaper.

If the thick-crusted Pan Pizza tests well and is rolled out nationally, it would be the chain's first new-product extension. Domino's Pizza specializes in delivery of whole, thin-crust pies.

Recently competitors, such as Little Caesars, rolled out pan pizza; Pizza Hut has had big success with its seven-year-old Pan Pizza product.

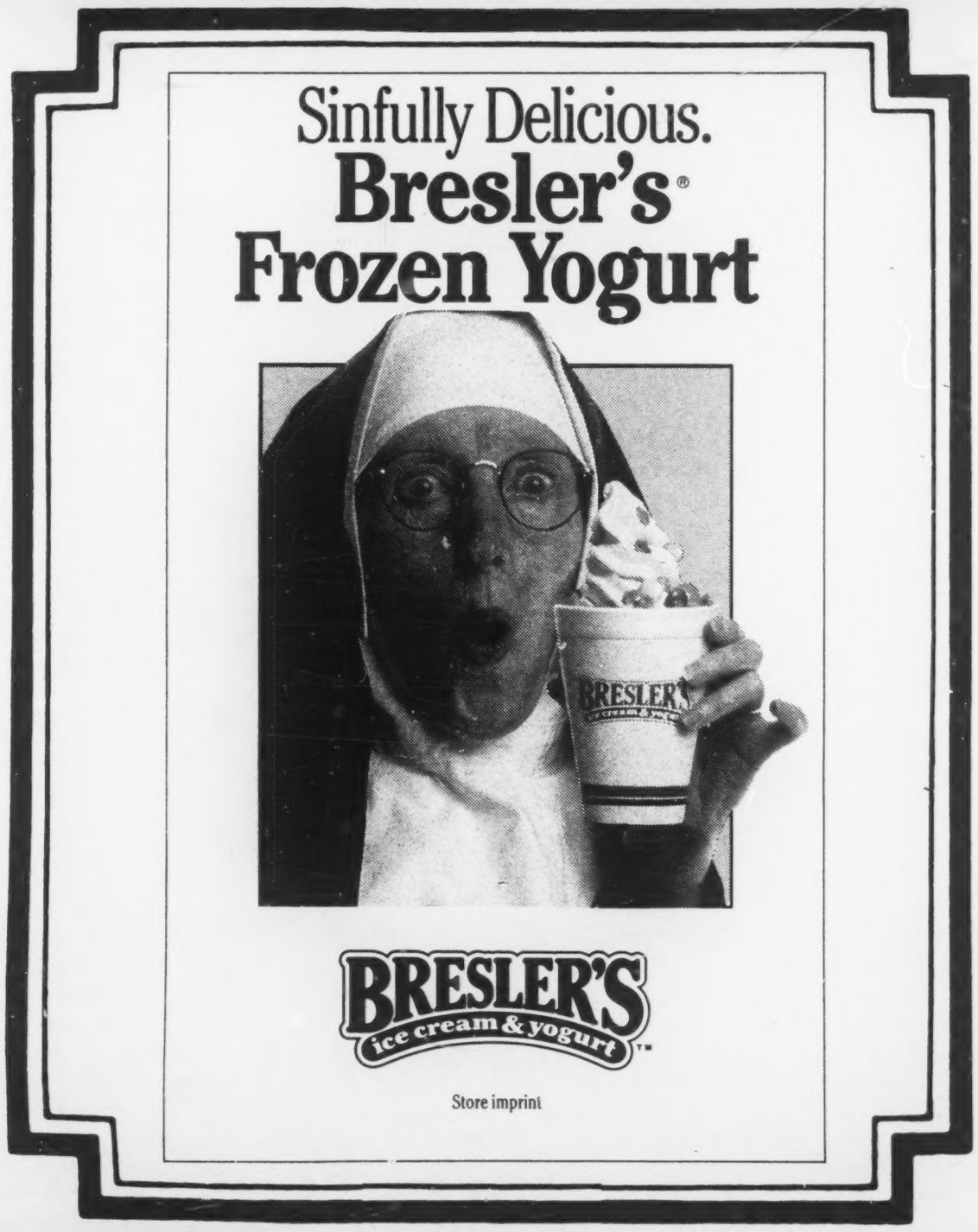
"Demand for the product is on the upswing," said Mike Raymond, director of group marketing for Domino's Pizza, which is based here. "In fact, research shows that as much as 40 percent of consumers favor the pan pizza."

Raymond indicated that the pan pizza could be a "prime candidate" for eventual system-wide introduction. He said the product must be able to fit into the operations of stores before it could be introduced nationally.

He added, "Our mission to deliver a hot-quality pizza in 30 minutes or less continues to be our No. 1 goal."

Before the advertising campaign began, Domino's Pan Pizza had been tested in Cedar Rapids, solely to determine operational feasibility. Now the chain wants to study the marketability of the product.

AD WATCH




**Holy promotion!** **The Chicago-based Bresler's Ice Cream & Yogurt Shops has stepped up in-store advertising of its 17-flavor gourmet frozen yogurt with this 'religious' point-of-purchase poster accompanied with a buy-one, get-one-free coupon.**

*"AdWatch" submissions should be either proofs, prints, or stills of a new print, direct mail, or television advertisement for a restaurant or restaurant chain, with accompanying information on the responsible agency name, if any, and the media time and placement schedule. Submissions should be sent to: Marketing Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.*

NRN MARKETING DIGEST

## Nicklow's diners 'vote' for entrées

MINNEAPOLIS, Minn. — The Greek-American owners of Nicklow's Restaurant here have cooked up a meal promotion that they believe will score "votes" for their favorite candidate, Michael Dukakis.

Selection of an American entrée at the restaurant, the Nicklow brothers said, represents a vote for George Bush, while opting for a "Greek delicacy" means a vote for Dukakis.

"We know good Greek food is almost irresistible, so we're counting on stacking the odds in our favor by dishing up the most tempting Greek recipes we can muster just to see if they can sway our voters," Jim Nicklow said.

## Dawn Donuts rolls political cookies

FLINT, Mich. — Dawn Donuts, a 60-unit operation based here, is conducting an "unofficial" statewide election poll based on the sale of the chain's elephant and donkey-shaped cookies.

Depending on which cookie is purchased, each represents a vote for either the Republican or Democratic Party in the upcoming presidential election. Cookie sales results are tallied daily and posted on a chalk board at each unit.

## Marie Callender's names Naroff vp

ORANGE, Calif. — Neil M. Naroff has been named vice president of marketing for the 140-unit Marie Callender's Restaurants.

His responsibilities will include the development and execution of all marketing, advertising, and promotional programs. In addition, he will oversee new market expansion programs and product development.

Naroff had previously been a management supervisor for the DDB Needham Advertising and Tracey-Locke agencies.

## Dinosaurs accompany kiddie meals

SANTA MONICA, Calif. — Foster's Freeze, a 178-unit soft-service ice-cream franchise operation here, will be giving away a collector's series of six dinosaurs with the purchase of either a $1.99 or $2.99 "Kids Meal Pack."

The Kids Meal Pack will offer fries, a soft drink, and a choice of a junior hamburger, hot dog, or corn dog. Created by the Lipsman Group, the dinosaur promotion will run through December.

← CALL F.I.R.S.T. ITEM # 11



# Johnson & Wales grows up; college becomes a university

By Charles Bernstein

PROVIDENCE, R.I. — Johnson & Wales College here has officially become a university, president Morris J.W. Gaebe disclosed.

"This change from a college to a university reflects the increasingly broad diversity of our academic curriculums, our expansion of degree areas, and our intention to continue this growth into the next century," he declared.

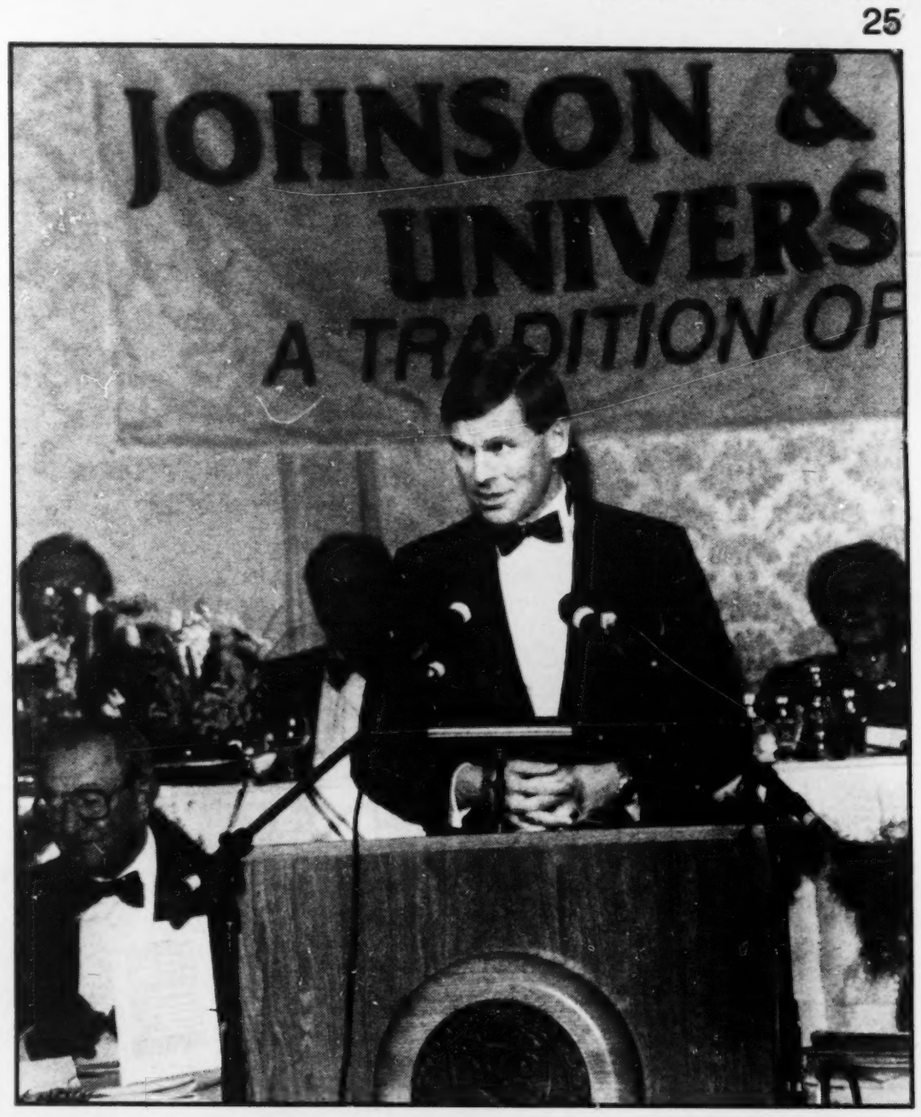
Founded in 1914 as a private business school with one student and one typewriter, the institution has grown to the No. 1 university in the total number of students in its culinary arts and hospitality programs, Gaebe said. Altogether, the school has 8,500 students from all 50 states and more than 50 countries attending day, evening, and weekend courses.

The modern phase of the university's development began in 1947 when Gaebe and Edward Triangolo became co-directors. The 1970s and 1980s have seen rapid growth to a wide-ranging curriculum, with the Culinary Arts Division being launched in 1973 and authorization for advanced degrees starting in 1980.

*Johnson & Wales was founded in 1914 as a private business school with one student and one typewriter.*

The university has launched a $10 million fund-raising campaign to complete the new 75,000-square-feet Harborside Academic Center, to endow student scholarships and faculty enrichment needs, and to support research and development. William F. McLaughlin, president of the L.J. Minor Corp., Cleveland, is national chairman.

Meanwhile, Richard Brush, hospitality education director, will supervise a $5 million renovation project to create special training facilities for food-service and hotel management students. He plans to upgrade the university's Rhode Island Inn, Carlton House, and former China Trade restaurant near the Warwick, R.I., airport into the Johnson & Wales Airport Center.




**William F. McLaughlin, president of L.J. Minor Corp., addresses guests at the 'Tradition of Vision' $10 million capital campaign kick-off at Johnson & Wales, now a university.**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Swift Eckrich

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# Fast feeders to scoop top sales gains in growing '88 ice-cream market

WASHINGTON — Fast-food restaurants will scoop out the biggest gain in ice-cream sales among food-service operators in 1988, according to International Ice Cream Association projections.

Ice-cream sales in the fast-food segment will hit $60.4 billion, up 8.5 percent compared with sales in 1987. Caterers will experience a gain of 7.4 percent, to $1.6 billion. And ice-cream and frozen-custard stands will boost sales by 7.1 percent, to $1.7 billion.

**ICE-CREAM SALES**

| | Projected sales 1987 ($000) | Projected sales 1988 ($000) | % change |
|---|---|---|---|
| Restaurants, lunchrooms | $66.1 | 70.6 | +6.7% |
| Fast food | 55.7 | 60.4 | +8.5 |
| Commercial cafeterias | 3.7 | 3.9 | +6.4 |
| Social caterers | 1.5 | 1.6 | +7.4 |
| Ice-cream and frozen-custard stands | 1.6 | 1.7 | +7.1 |
| Total eating places | 128.6 | 138.2 | +7.5 |

Source: International Ice Cream Association

# Texans sample lamb, endive dishes

DALLAS — Food-service operators gathered on three successive days here and in two other Texas cities to sample recipes using endive and lamb.

In Dallas, chef Kevin Garvin of the Adolphus Hotel served pan-seared lamb with wok-fried endive on a seasonal salad.

In San Antonio, chef Ed Peyer of the Hyatt Regency Hotel prepared blackened lamb loin filet, small lamb kebobs, endive with caviar and salmon, and endive chowder.

In Houston, Warner Auer, also of the Hyatt Regency, braised endive with lamb and three stuffings.

The food fairs were staged by HJ Delaney, a New York advertising agency, for two of its clients, the Belgian Endive Marketing Board and Linsam Marketing Corp., which supplies New Zealand lamb to White Swan Distributors.

# Don Callender slaps 4th lawsuit on Ramada

SANTA ANA, Calif. — Donald Callender, founder of the Marie Callender's Pie Shops restaurants, has filed his fourth lawsuit this year against Ramada Corp., which bought the 125-unit chain from Callender two years ago for $80 million in cash and stock.

Seeking at least $371 million in damages for Ramada stockholders, Callender alleges that Ramada should have accepted a $10-a-share buyout offer from a Hyatt Hotels affiliate. In the past year, a share of Ramada stock has ranged in price from $4 to $10.25 and recently sold for about $9.25.

Callender, a Newport Beach, Calif.-based restaurateur who is Ramada's second-largest shareholder, had earlier sued the hotel chain for alleged merger-pact violations and for alleged fraudulent diversions of assets from Marie Callender's joint-venture franchise partners. Ramada recently fired Callender and has countersued, charging him with fraud, conspiracy, and libel.

# Nathan's names Aurner head of real-estate development

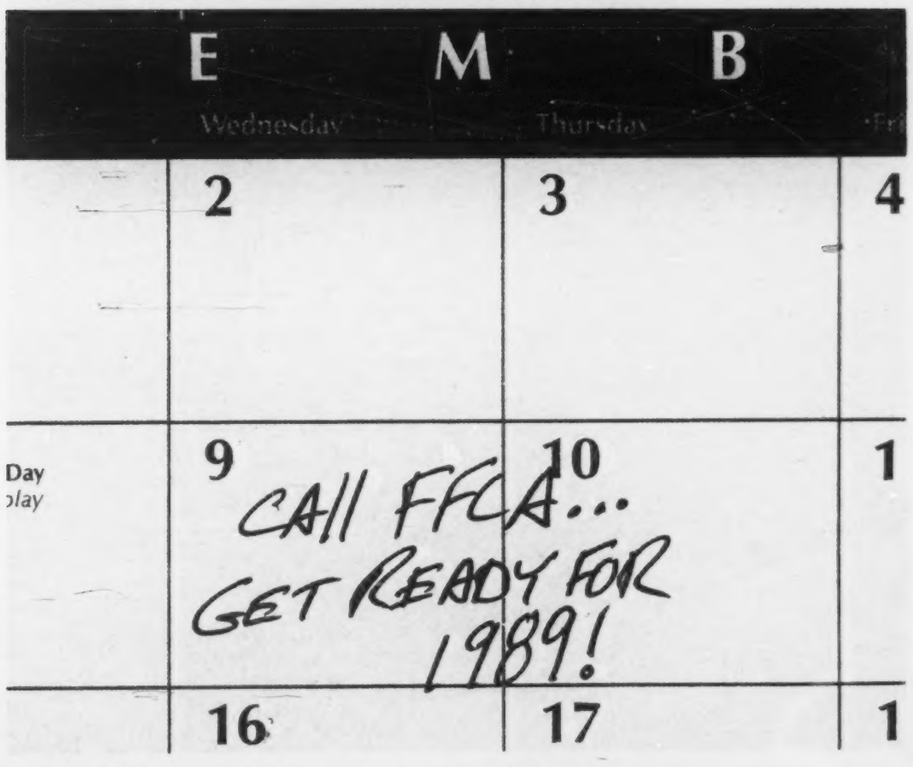
NEW YORK — Robert R. Aurner has joined Nathan's Famous Inc. as corporate director of real estate.

In his new position, Aurner will be responsible for the development and evaluation of restaurant sites for both company-operated and franchised stores. He will also supervise joint activities in site development with Nathan's franchising department.

Before joining Nathan's, Aurner was involved with real estate development for Pillsbury Co.'s Restaurant Division, Burger King Division, and Pepsico's Pizza Hut Division.

**Robert R. Aurner**


CALL F.I.R.S.T. ITEM # 12




If you are a franchisee of Applebee's, Arby's, Burger King, Church's, Hardee's, Jack in the Box, Kentucky Fried Chicken, Long John Silver's, Pizza Hut, Rax, Taco Bell, or Wendy's, FFCA has a financing plan just for you. Call FFCA today, tell them of your fast food projects.

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